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1983/05/00

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FIRST SESSION
U.S.—CHINA JOINT COMMISSION
ON COMMERCE AND TRADE

MAY 23-25, 1983
BEIJING

SECRETARY BALDRIGE

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SECRETARY BALDRIGE
VISIT TO BEIJING
MAY 21-26, 1983

CONTENTS

Schedule
Scope Paper
Delegation Lists

Schedule
Scope Paper
Delegation

SATURDAY, MAY 21

EVENT #1	Arrival at Beijing Airport 2:20 p.m. Air Force Aircraft - Scenario - Biography	Arrival
EVENT #2	Dinner with Ambassador Hummel 7:00-9:00 p.m. Ambassador's Residence - Scenario - Biography	Hummel Dinner

SUNDAY, MAY 22

EVENT #3	Trip to Great Wall and Ming Tombs 8:00 a.m. - 3:30 p.m. - Scenario	Great Wall
EVENT #4	Meeting with Minister Chen Muhua 6:30 - 7:00 p.m. Great Hall of the People - Scenario	First Chen Meeting
EVENT #5	Welcome Banquet 7:00 - 10:00 p.m. Great Hall of the People - Scenario - Toast	Welcome Banquet

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MONDAY, MAY 23

EVENT #6	Country Team Meeting 9:00 - 9:45 a.m. Ambassador's Residence - Scenario	Country Team
EVENT #7	Meeting with Minister Chen 2:15 - 2:30 p.m. Great Hall of the People - Briefing paper	Second Chen Meeting
EVENT #8	Opening Plenary 2:30 - 4:45 p.m. Great Hall of the People - Scenario - Statement	Opening

TUESDAY, MAY 24

EVENT #9	Visit to Forbidden City and Temple of Heaven 8:30 - 11:15 a.m. Forbidden City (Palace Museum) - Scenario Temple of Heaven - Scenario	Forbidden City Temple of Heaven
EVENT #10	Meeting with APCAC President Adams 11:30 - 12:00 a.m. FCS Office Jianguo Hotel - Scenario	Adams Meeting
EVENT #11	American Businessmen Luncheon 12:00 - 1:30 p.m. Ballroom, Jianguo Hotel - Scenario - Remarks	Business Lunch
EVENT #12	Meeting with Finance Minister Wang 2:00 - 3:00 p.m. Finance Ministry - Briefing Paper - Biography	Wang Meeting

EVENT #13	Meeting with Vice Foreign Minister Han Xu 4:00 - 4:30 p.m. Foreign Ministry - Briefing paper - Biography	Han Meeting
EVENT #14	Return Banquet 7:00 - 10:00 p.m. Great Hall of the People - Scenario - Toast	Return Banquet

WEDNESDAY, MAY 25

EVENT #15		Zhao Meeting
EVENT #16	Meeting with Minister Chen 2:15 - 2:30 p.m. Great Hall of the People - Briefing Paper	3rd Chen Meeting
EVENT #17	Closing Plenary 2:30 - 4:30 Great Hall of the People - Scenario - Statement	Closing Plenary
EVENT #18	Press Conference 5:30 - 6:00 p.m. Bruce Building, U.S. Embassy - Scenario	Press Conference
EVENT #19	National Council Reception 6:30 - 7:30 p.m. Beijing Hotel - Scenario	Reception

THURSDAY, MAY 26

EVENT #20	Departure 9:15 - 10:30 a.m. Beijing Airport - Scenario	Departure
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Wang # 2355N

ISSUE PAPERS

TAB

1. U.S. China Relations	A
2. U.S. China Trade Relations	B
3. U.S. China Trade Policy	C
4. Export Control Policy	D
5. Export Control Cases	E
6. U.S.-China Textile Relations	F
7. U.S. Import Laws	G
8. Asian Development Bank	H
9. Huguang Railway Bonds	I
10. Business Facilitation	J
11. Chinese Exports/U.S. Import Sensitive Industries	K
12. Nuclear Cooperation*	L
13. Industrial Cooperation Agreement	M
14. Chinese Energy Projects	N

SECRETARY BALDRIGE'S PRESIDENTIAL MISSION
TO THE FAR EAST

Schedule for China

SATURDAY, MAY 21

2:20 p.m. SECRETARY BALDRIGE and party arrive Beijing,
People's Republic of China
Beijing Airport

SECRETARY BALDRIGE and party deplane and are
Met by: Ambassador Arthur Hummel
Commercial Counselor Melvin Searls
Economic Counselor David Brown
Cultural Officer Robert Knopes

The Ambassador will introduce THE SECRETARY and
Mrs. Baldrige to Vice Minister Jia Shi and other
welcoming officials from the Ministry of Foreign
Economic Relations and Trade.

SECRETARY BALDRIGE and party then proceed to VIP
Lounge for short wait as passport formalities are
completed

PHOTO OPPORTUNITY, CLOSED PRESS

2:50 p.m. SECRETARY BALDRIGE and party board motorcade and
depart enroute Diaoyutai Guest House #16

Motorcade Assignments:

LIMO 1 SECRETARY BALDRIGE
Ambassador Hummel
Robbins

STAFF 1 Collamore
Cooper
Dixon

LIMO 2 Mrs. Baldrige
Mrs. Searls

LIMO 3 Under Secretary Olmer
Mr. Searls

STAFF 2 A/S McCormack
Mr. Brown

OTHER GUEST AND STAFF CARS TO ACCOMMODATE DELEGATION
WILL BE ASSIGNED
(Drive Time: 45 Minutes)

SATURDAY, MAY 21 cont.

3:35 SECRETARY BALDRIGE and party arrive Guest House
Diaoyutai #16
Sanlihe Road, Beijing
Telephone: 86-8831

THE SECRETARY and Mrs. Baldrige will be escorted
to their suite by ranking Chinese who met them at
the airport.

GUEST AND STAFF INSTRUCTIONS:

Members of the party will be shown to their rooms
by Guest House staff. Room assignments will be
available on plane. All luggage will be delivered
to rooms.

Office and Control Room located in Room 1605.

Lounge is located off lobby.

Money exchange will be available in Control Room.

3:40 p.m.- SECRETARY BALDRIGE - STAFF TIME
6:25 p.m.

6:30 p.m. SECRETARY and Mrs. Baldrige depart Guest House
Enroute United States Embassy Compound

LIMO 1 SECRETARY BALDRIGE
Mrs. Baldrige

(Drive Time: 30 Minutes)

GUEST AND STAFF INSTRUCTIONS:

6:30 p.m. The remainder of the Secretary's party
departs Guest House enroute local
restaurant for informal no host dinner.

7:00 p.m. SECRETARY and Mrs. Baldrige arrive Ambassador's
Residence, U. S. Embassy Compound
17 Guang Hua Road
Telephone: 52-2033

Informal dinner with Ambassador and Mrs. Hummel
and Commercial Counsellor Melvin Searls and
Mrs. Searls (Andy)

SATURDAY, MAY 21 cont.

GUEST AND STAFF INSTRUCTIONS:

9:00 p.m. The Secretary's party departs local
restaurant enroute Guest House

9:00 p.m. SECRETARY and Mrs. Baldrige depart Ambassador's
Residence enroute Guest House

(Drive Time: 30 Minutes)

9:30 p.m. SECRETARY and Mrs. Baldrige arrive Guest House
Remain Overnight

SUNDAY, MAY 22

7:30 a.m. Breakfast served at the Guest House

7:45 a.m. Motorcade Forms
Chinese escorts arrive at Guest House for trip to the Great Wall and Ming Tombs.

8:00 a.m. SECRETARY BALDRIGE and party depart Guest House enroute Great Wall

Motorcade Assignments:

LIMO 1 SECRETARY BALDRIGE
Mrs. Baldrige
Chinese Protocol Official

LIMO 2 Under Secretary Olmer
Mr. Li Shude

REMAINDER OF GUESTS AND STAFF board bus

(Drive Time: 2 Hours)

10:00 a.m. SECRETARY BALDRIGE and party arrive Great Wall

Escort will provide tour

11:00 a.m. SECRETARY BALDRIGE and party depart Great Wall enroute Ming Tombs (stop at Avenue of Animals)

Motorcade Assignments: Same as on arrival

(Drive Time: 1 Hour)

SUNDAY, MAY 22 cont

12:00 Noon SECRETARY BALDRIGE and party arrive Ming Tombs
Ding Ling Tomb

SECRETARY BALDRIGE and party proceed to restaurant
building for lunch

1:30 p.m. SECRETARY BALDRIGE and party depart restaurant
and proceed on walking tour of the Ding Ling Tomb

2:30 p.m. SECRETARY BALDRIGE and party depart Ming Tombs
enroute Guest House in Beijing

Motorcade Assignments: Same as on arrival
(Drive Time: 1 Hour)

3:30 p.m. SECRETARY BALDRIGE and party arrive Guest House

SECRETARY BALDRIGE and party thank Chinese escorts
and return to rooms

3:35 p.m.- SECRETARY BALDRIGE - STAFF TIME
6:10 p.m.

6:10 p.m. SECRETARY BALDRIGE and party depart Guest House
enroute Great Hall of the People for Banquet

Dress: Dark business suit and cocktail dress

Motorcade Assignments:

LIMO 1 SECRETARY and Mrs. Baldrige
Robbins

STAFF 1 Collamore
Cooper
Dixon

LIMO 2 Under Secretary Olmer
A/S McCormack
DA/S Lawson

LIMO 3 DA/S Prestowitz
DA/S Albrecht
DA/S Earnshaw

Cars sufficient for remainder of delegation
(Drive Time: 15 Minutes)

SUNDAY, MAY 22 cont.

6:25 p.m. SECRETARY BALDRIGE and party arrive Great Hall
of the People

Met by _____
Scenario and protocol in Briefing Book

6:30 p.m. Courtesy Meeting - SECRETARY BALDRIGE and U.S.
Delegation meet with Minister Chen Muhua and
PRC Delegation

7:00 p.m. Welcome Banquet for THE SECRETARY and Mrs. Baldrige
and the U.S. Delegation to the JCCT.
Hosted by Minister Chen Muhua

TOAST

9:30 p.m. Banquet Concludes

9:40 p.m. SECRETARY BALDRIGE and party depart Great Hall
enroute Guest House

Motorcade Assignments: Same as on arrival
(Drive Time: 15 Minutes)

10:00 p.m. SECRETARY BALDRIGE and party arrive Guest House
Remain Overnight

MONDAY, MAY 23

8:00 a.m. Breakfast served at Guest House

8:20 a.m. Motorcade Forms

8:25 a.m. SECRETARY BALDRIGE and invited participants
depart Guest House enroute U.S. Embassy

Motorcade Assignments:

LIMO 1 SECRETARY BALDRIGE
Under Secretary Olmer
Robbins

LIMO 2 Assistant Secretary McCormack
DA/S Prestowitz
DA/S Lawson

STAFF 1 Collamore
Cooper

STAFF 2 Quigg
Laux

(Drive Time: 30 Minutes)

8:55 a.m. SECRETARY BALDRIGE and party arrive U.S. Embassy
17 Guang Hua Road
Telephone: 52-2033

Proceed to Dining Room in Ambassador's Residence

9:00 a.m. Meeting with Country Team Commences

Participants: SECRETARY BALDRIGE
Ambassador Hummel
Under Secretary Olmer
Assistant Secretary McCormack
Prestowitz, Lawson, Quigg, Laux
Robbins, Collamore, Cooper
Charles Freeman, DCM
Melvin Searls, Commercial Counsellor
David Brown, Economic Counsellor
Norman Kallemeyn, Agricultural Counsellor
Jack Gosnell, Science Officer
Peter Thompson, Political Section
Ted Price, Political Section
Bob Knopes, Press Officer

9:45 a.m. Meeting with Country Team Concludes

MONDAY, MAY 23 CONT.

10:00 a.m. SECRETARY BALDRIGE and party depart Embassy enroute Guest House

Motorcade Assignments: Same as on arrival

(Drive Time: 30 Minutes)

10:30 a.m. SECRETARY BALDRIGE and party arrive Guest House

GUEST AND STAFF INSTRUCTIONS:

10:30 a.m. Meetings of members of the U.S. Delegation to the JCCT and Embassy Staff will begin at the Guest House. DA/S Lawson will chair.

10:35 a.m. - SECRETARY BALDRIGE - PRIVATE TIME
12:00 Noon

12:00 Noon SECRETARY BALDRIGE and party begin private luncheon with Embassy Staff at the Guest House

1:00 p.m. Luncheon Concludes

1:00 p.m. - SECRETARY BALDRIGE - STAFF TIME
2:00 p.m.

2:00 p.m. SECRETARY BALDRIGE and party depart Guest House enroute the Great Hall of the People for meeting with Minister of Foreign Economic Relations and Trade Chen Muhua (Co-Chairperson of the JCCT)

Motorcade Assignments:

LIMO 1 SECRETARY BALDRIGE
Under Secretary Olmer
Robbins

STAFF 1 Collamore
Cooper
~~XXXX~~

(Drive Time: 15 Minutes)

MONDAY, MAY 23 cont.

GUEST AND STAFF INSTRUCTIONS:

2:00 p.m. Members of the U.S. Delegation to the JCCT depart Guest House enroute the Great Hall of the People for opening session of JCCT. (# of cars?)

2:15 p.m. SECRETARY BALDRIGE and party arrive Great Hall Changan Jie, Beijing
Telephone: 39-6159

Met by SCO Searls, Proceed to _____ for meeting with Minister Muhua

2:15 p.m. Meeting Begins

Participants: SECRETARY BALDRIGE
Ambassador Hummel
Under Secretary Olmer
SCO Searls
~~_____~~
Vivian Chang (Interpreter)
~~_____ (s)~~

Consult Briefing Book for Chinese Participants and Scenario

2:30 p.m. Meeting Concludes

SECRETARY BALDRIGE and party proceed to Meeting Room in Great Hall for JCCT

2:30 p.m. FIRST PLENARY SESSION OF THE JOINT COMMISSION ON COMMERCE AND TRADE

Consult Briefing Book for U.S. and Chinese delegation lists and scenario for JCCT

4:45 p.m. First Plenary Session ends

MONDAY, MAY 23 cont.

5:00 p.m. SECRETARY BALDRIGE and party depart Great Hall
enroute Guest House

Motorcade Assignments:

LIMO 1 SECRETARY BALDRIGE
Under Secretary Olmer
Robbins

STAFF 1 Collamore
Cooper
Dixon

LIMO 2 A/S McCormack
DA/S Prestowitz
DA/S Lawson

Cars sufficient for remainder of U.S. Delegation

(Drive Time: 15 Minutes)

5:15 p.m. SECRETARY BALDRIGE and party arrive Guest House

SECRETARY BALDRIGE - PRIVATE TIME
REMAINDER OF EVENING FREE
Dinner to be served in suite by Guest House Staff

GUEST AND STAFF INSTRUCTIONS:

7:00 p.m. Private dinner will be served at Guest
House Dining Room.
Control Room and Lounge will be open.

TUESDAY, MAY 24

8:00 a.m. Breakfast served at Guest House

8:30 a.m. SECRETARY BALDRIGE and party depart Guest House
enroute Forbidden City

Motorcade Assignments:

LIMO 1 SECRETARY BALDRIGE
Mrs. Baldrige
Under Secretary Olmer

STAFF 1 Robbins
Collamore
Dixon

STAFF 2 Cooper
Laux

(Drive Time: 20 Minutes)

8:50 a.m. SECRETARY BALDRIGE and party arrive Forbidden City
Met by guide who will walk party through - cars
will meet on other side.

10:00 a.m. Tour of Forbidden City ends
SECRETARY BALDRIGE and party board motorcade and
depart enroute Temple of Heaven

(Drive Time: 10 Minutes)

10:10 a.m. SECRETARY BALDRIGE and party arrive Temple of Heaven
Met by guide who will give tour.

11:10 a.m. SECRETARY BALDRIGE and party complete tour and depart
Temple of Heaven enroute Jianguo Hotel for meeting
with APCAC President Bob Adams and U.S. Business
Community Luncheon

Motorcade Assignments: Same as on arrival

(Drive Time: 15 Minutes)

11:25 a.m. SECRETARY BALDRIGE and party arrive Jianguo Hotel
Jianguo Men Wai Da Jie, Beijing
Telephone: 59-5261

Met By: SCO Searls
Proceed to FCS Office, Room 141, for meeting with
Bob Adams, President of Asia-Pacific Council of
American Chambers of Commerce

TUESDAY, MAY 24 Cont.

GUEST AND STAFF INSTRUCTIONS:

9:00 a.m. JCCT Working Groups Meet. Trade Relations at Guest House, Legal Issues and Industrial Cooperation at the Ministry of Foreign Relations and Trade.

11:00 a.m. Working Sessions Conclude

12:00 Working Group Chairmen will lunch with Chinese counterparts

Other Working Group members will lunch at the Guest House.

2:00 p.m. Second Session of Working Groups

5:30 p.m. Working Group Session ends.

11:30 a.m.

Meeting Begins

Participants: SECRETARY BALDRIGE
Mr. Robert Adams
Under Secretary Olmer (T)
SCO Searls

Consult Briefing Book for Scenario

11:55 a.m.

Meeting Concludes

SECRETARY BALDRIGE and party proceed to Ballroom for luncheon hosted by the American Chamber of Commerce and the National Council for U.S.-China Trade.

Participants: SECRETARY and Mrs. Baldrige
Ambassador Hummel
Under Secretary Olmer (T)
SCO Searls
Laux
Robbins, Collamore, Cooper, Dixon

Guest List will be provided

12:00 Noon

Luncheon Begins

12:55 p.m.

SECRETARY BALDRIGE is introduced by Richard Kask, President of the American Chamber of Commerce

1:00 -

1:15 p.m.

SECRETARY BALDRIGE - REMARKS

TUESDAY, MAY 24, Cont.

1:15- QUESTION AND ANSWER SESSION

1:25 p.m.

OPEN PRESS

1:30 p.m.

Luncheon Concludes
SECRETARY BALDRIGE and party depart Jianguo
enroute meeting with Minister of Finance

Motorcade Assignments:

LIMO 1

(Amb. Hummel's car)
SECRETARY BALDRIGE
Ambassador Hummel

LIMO 2 Under Secretary Olmer
SCO Searls
Robbins

STAFF 1 Collamore
Dixon

STAFF 2 Cooper
Laux

STAFF 3 Vivian Chang (Interpreter)
Notetaker (s)

(Drive Time: 25 Minutes)

1:55 p.m.

SECRETARY BALDRIGE and party arrive Ministry of
Finance for meeting with Finance Minister
Wang Bing Qian
Address: Xicheng qu
Telephone: 86-8451

Proceed to _____ for meeting

Participants: SECRETARY BALDRIGE
Ambassador Hummel
Under Secretary Olmer
SCO Searls
Laux
Chang and Notetaker (s)

3:30 p.m.

Meeting Concludes

SECRETARY BALDRIGE and party depart Ministry of
Finance enroute Ministry of Foreign Affairs for
meeting with Vice Minister Han Xu

TUESDAY, MAY 24 Cont.

Motorcade Assignments: Same as on arrival

(Drive Time: 15 Minutes)

3:45 p.m. SECRETARY BALDRIGE and party arrive Ministry
of Foreign Affairs
Address: 225 Chao Yang Mennei Da Jie
Telephone: 55-5831

Proceed to _____ for meeting

4:00 p.m. Meeting Begins
Participants: SECRETARY BALDRIGE
Ambassador Hummel
Under Secretary Olmer
SCO Searls
Laux
Chang and Notetaker(s)

4:45 p.m. Meeting Concludes
SECRETARY BALDRIGE and party depart Foreign
Ministry enroute Guest House

Motorcade Assignments:

LIMO 1 SECRETARY BALDRIGE
Under Secretary Olmer
Robbins

STAFF 1 Collamore
Dixon

STAFF 2 Cooper
Laux

(Drive Time: 15 Minutes)

5:00 p.m. SECRETARY BALDRIGE and party arrive Guest House

5:00 p.m. - SECRETARY BALDRIGE - STAFF TIME
6:25 p.m.

TUESDAY, 24 cont.

6:25 p.m. SECRETARY BALDRIGE and party depart Guest House enroute Great Hall for U.S. hosted return banquet

Motorcade Assignments:

LIMO 1 SECRETARY and Mrs. Baldrige
Robbins

STAFF 1 Collamore
Cooper
Dixon

LIMO 2 Under Secretary Olmer
A/S McCormack
DA/S Lawson

LIMO 3 DA/S Prestowitz
DA/S Albrecht
DA/S Earnshaw

Cars sufficient for remainder of delegation
(Drive Time: 20 Minutes)

6:45 p.m. SECRETARY BALDRIGE and party arrive Great Hall

Met by _____
Scenario and protocol in Briefing Book

7:00 p.m. Return banquet hosted by SECRETARY and Mrs. Baldrige for Minister Chen Muhua and PRC Delegation to the JCCT

TOAST

9:30 p.m. Banquet Concludes

9:40 p.m. SECRETARY BALDRIGE and party depart Great Hall enroute Guest House

Motorcade Assignments: Same as on arrival
(Drive Time: 20 Minutes)

10:00 p.m. SECRETARY BALDRIGE and party arrive Guest House
Remain Overnight

WEDNESDAY, MAY 25

8:00 a.m. Breakfast served at Guest House
 Morning THE SECRETARY hopes to meet with various Ministers
 at this time

GUEST AND STAFF INSTRUCTIONS:

10:00 a.m. Third Session of Working Groups begins
 11:30 a.m. Third Session ends

12:00 Noon SECRETARY BALDRIGE and party - Private Luncheon
 at Guest House

1:00 p.m. Luncheon concludes

1:00 p.m. - SECRETARY BALDRIGE - STAFF TIME
 1:55 p.m.

1:55 p.m. SECRETARY BALDRIGE and party depart Guest House
 enroute Great Hall for Final Plenary Session of
 JCCT

WEDNESDAY, MAY 25 cont.

Motorcade Assignments:

LIMO 1 SECRETARY BALDRIGE
Under Secretary Olmer
Robbins

STAFF 1 Collamore
Cooper
Dixon

LIMO 2 A/S McCormack
DA/S Prestowitz
DA/S Lawson

Sufficient cars for remainder of delegation

(Drive Time: 15 Minutes)

2:10 p.m. SECRETARY BALDRIGE and party arrive Great Hall
of the People. Delegation members proceed to final
session of JCCT

2:15 p.m. SECRETARY BALDRIGE meets with Minister Chen Muhua

Participants: SECRETARY BALDRIGE
Ambassador Hummel
Under Secretary Olmer
SCO Searls
~~XXXX~~
Chang (Interpreter)
~~XXXXXXXXXX~~)

Meeting concludes

2:30 p.m. FINAL PLENARY SESSION OF JCCT BEGINS

Consult Briefing Book for Scenario

4:30 p.m. Final Plenary Concludes

WEDNESDAY, MAY 25 cont.

4:45 p.m. SECRETARY BALDRIGE and party depart Great Hall
enroute U.S. Embassy

Motorcade Assignments:

LIMO 1 SECRETARY BALDRIGE
Under Secretary Olmer
Cooper

STAFF 1 Robbins
Collamore
Dixon

LIMO 2 DA/S Lawson
A/S McCormack
Perito

(Drive Time: 15 Minutes)

GUEST AND STAFF INSTRUCTIONS:

Others may proceed to Embassy to observe press conference, proceed to Beijing Hotel early for reception or return to Guest House. Cars will be available outside Great Hall.

5:00 p.m. SECRETARY BALDRIGE and party arrive U.S. Embassy
Second Compound, Bruce Building

Proceed to Room

Contact: Mark Crocker, Embassy Press Officer
Telephone: 52-2033

5:00 p.m. - SECRETARY BALDRIGE - STAFF TIME
5:30 p.m. (In preparation for Press Conference)

5:30 p.m. SECRETARY BALDRIGE conducts press conference
Independence Hall
Bruce Building

Resident U.S., foreign and Chinese press

WEDNESDAY, MAY 25 cont.

6:00 p.m. Press Conference concludes

6:10 p.m. SECRETARY BALDRIGE and party depart U.S. Embassy enroute Beijing Hotel

Motorcade Assignments: Same as on arrival except substitute Robbins for Cooper in LIMO 1

(Drive Time: 15 Minutes)

6:25 p.m. SECRETARY BALDRIGE arrives Beijing Hotel
Dong Changan Jie, Beijing
Telephone: 55-2231

Proceed to Seventh Floor, Middle Wing Reception Room
Reception hosted by National Council for United States-China Trade

Participants: U.S. and PRC delegations, reps. of resident U.S. Council firms (approx. 125 people)

Reception from 6:30 - 7:30
Mix and Mingle (No remarks, no receiving line)

7:20 p.m. SECRETARY BALDRIGE departs Beijing Hotel enroute Guest House

Motorcade Assignments: Same as on arrival
If some delegation members wish to remain longer, appropriate number of cars will remain.

(Drive Time: 20 Minutes)

7:40 p.m. SECRETARY BALDRIGE and party arrive Guest House

A light snack will be served in the Guest House Dining Room.

Remainder of evening free.

Remain overnight.

THURSDAY, MAY 26

7:45 a.m. BAGGAGE CALL - All baggage for Guests and Staff is
SHARP! to be outside rooms at this time.

8:00 a.m. ~~Breakfast~~
(Baggage will depart for airport at 8:15 a.m.)

9:00 a.m. Motorcade Forms

9:15 a.m. SECRETARY BALDRIGE and party depart Guest House
enroute Beijing Airport

Motorcade Assignments:

LIMO 1 SECRETARY and Mrs. Baldrige
Robbins

STAFF 1 Collamore
Dixon
Cooper

LIMO 2 A/S McCormack
DA/S Albrecht

Other cars sufficient for those departing

(Drive Time: 45 Minutes)

10:00 a.m. SECRETARY BALDRIGE and party arrive Beijing
Airport

(Address, phone #)

Proceed to VIP Lounge for farewell to Chinese Hosts

10:30 a.m. SECRETARY BALDRIGE and party proceed to aircraft

THURSDAY, MAY 26 cont.

SEAT ASSIGNMENTS WILL BE DESIGNATED ON AIRCRAFT

10:45 a.m. SECRETARY BALDRIGE and party depart Beijing
enroute Washington, D.C.

Total Flying Time: 17 Hours, 25 Minutes
Ground Time : 3 Hours (2 stops)
Time Change : - 12 Hours

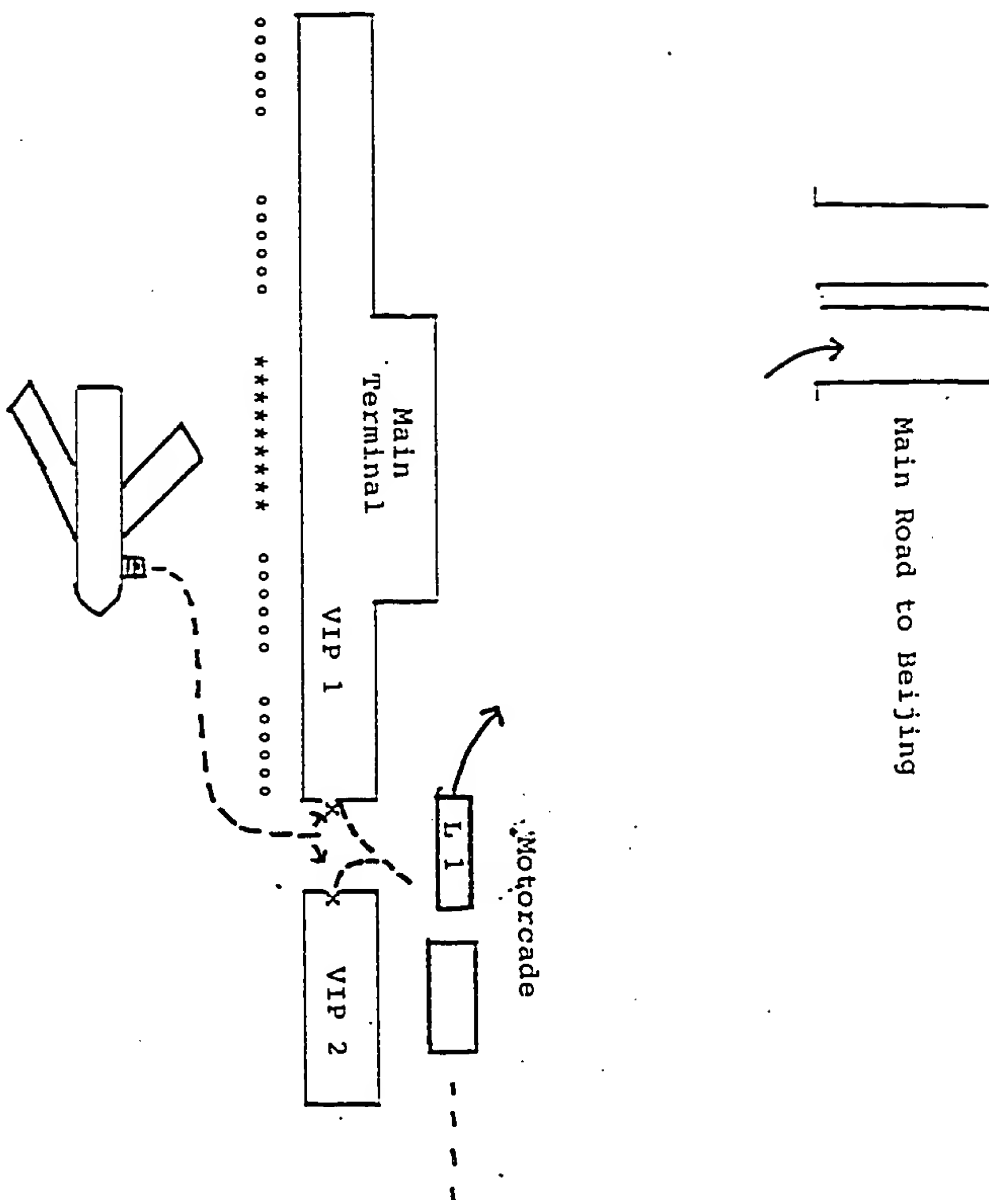
Beijing to Misawa AFB, Tokyo - 4 Hours
Refuel - 1 Hour, 30 Minutes

Misawa to Elmendorf AFB - 6 Hrs, 40 Minutes
Refuel - 1 Hour, 30 Minutes

Elmendorf to Andrews AFB - 6 Hrs., 45 Mins.
Total elapsed time: 20 Hours, 25 Minutes

7:20 p.m. SECRETARY BALDRIGE and party arrive
Andrews AFB - Proceed through customs
to motorcade bound for Department of Commerce

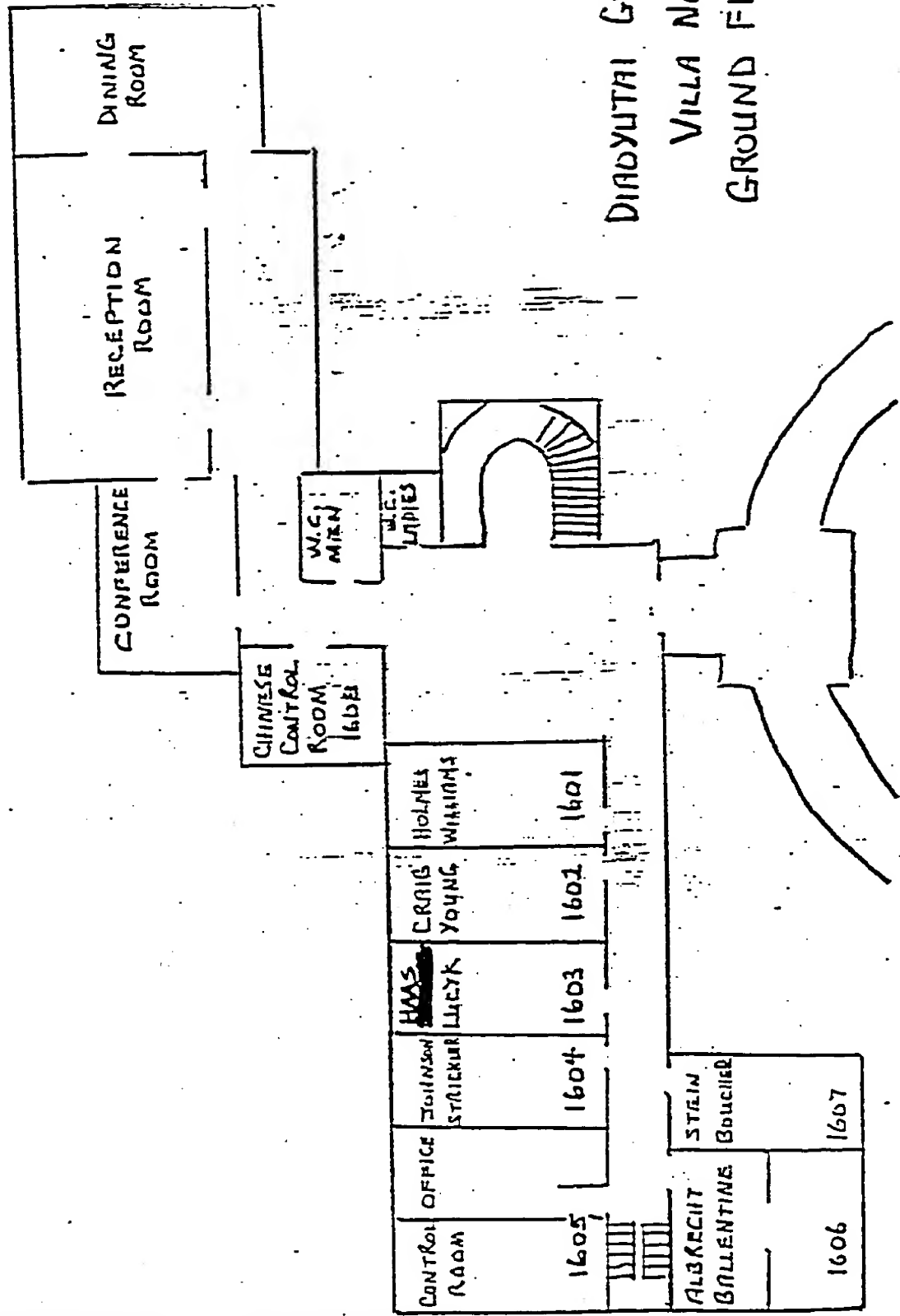
00 = Flag Poles
** = Shrubby



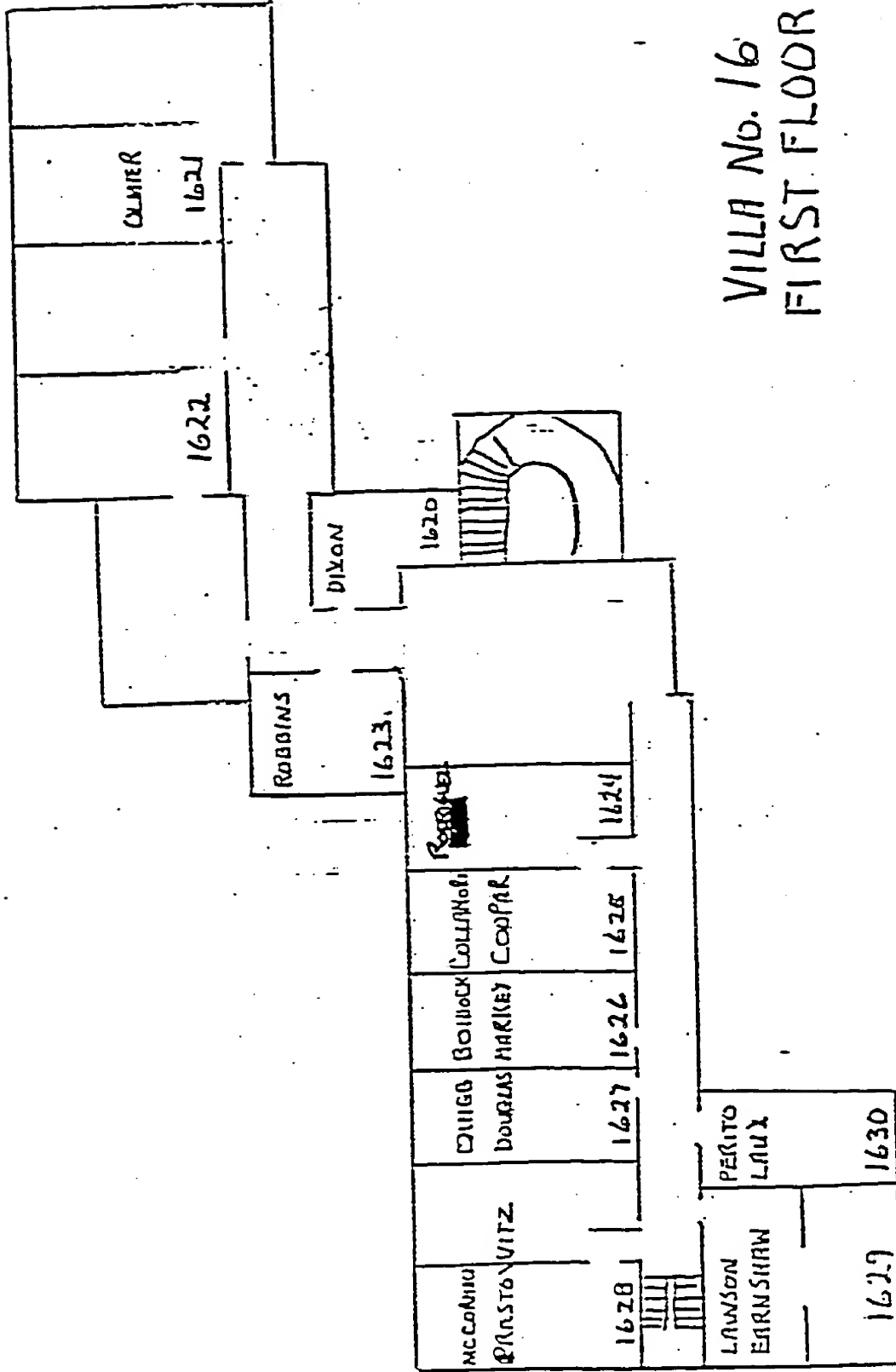
The Secretary will deplane and be greeted by Amb. Hummel and other embassy pers. Amb. will introduce The Secretary to Chinese. Chinese will lead The Secretary and party to one of VIP lounges. Then proceed to motorcade.

SECRETARY BALDRIGE - MAY 21-26, 1963

DIADYUTAI GUESTHOUSE
VILLA No. 16
GROUND FLOOR



VILLA No. 16 FIRST FLOOR



U.S. DELEGATION FOR SECRETARY BALDRIGE'S TRIP TO CHINA

1. Malcolm Baldrige, Secretary of Commerce
2. Mrs. Baldrige
3. Lionel Olmer, Under Secretary of Commerce for International Trade
4. Richard T. McCormack, Assistant Secretary of State for Economic and Business Affairs (Co-Chairman Trade Relations Working)
5. Clyde Prestowitz, Deputy Assistant Secretary of Commerce for International Economic Policy (Co-Chairman, Trade Relations Working Group)
6. Anthony C. Albrecht, Deputy Assistant Secretary of State for East Asian and Pacific Affairs (Trade Relations Working Group)
7. Helen Robbins, Executive Assistant to the Secretary (Secretary's Personal Staff)
8. J. Gregory Ballentine, Deputy Assistant Secretary of Treasury for Tax Analysis (Legal Issues Working Group)
9. Eugene K. Lawson, Deputy Assistant Secretary of Commerce for East Asia and the Pacific (Chairman, Industrial Cooperation Working Group)
10. Donald Earnshaw, Deputy Assistant Secretary of Commerce for Export Development (Industrial Cooperation Working Group)
11. William C. Triplett, II, Deputy Assistant U.S. Trade Representative (Trade Relations Working Group)
12. Rita M. Rodriguez, Director, Export Import Bank (Industrial Cooperation Working Group)
13. Christian Holmes, Director, Trade Development Program, International Development Cooperation Agency (Industrial Cooperation Working Group)
14. S. Linn Williams, Vice President, Overseas Private Investment Corporation (Legal Issues Working Group)
15. Donald Quigg, Deputy Commissioner of Patents and Trademarks (Chairman, Legal Issues Working Group)

16. John B. Craig, Office of China Affairs, Department of State (Industrial Cooperation Working Group)
17. John L. Young, Director of Telecommunications, Department of the Interior (Trade Relations Working Group)
18. Robert Perito, Director, Office of China and Hong Kong, Department of Commerce (Trade Relations Working Group)
9. John K. Boidock, Director, Office of Export Administration, Department of Commerce (Trade Relations Working Group)
20. Christine Lucyk, Deputy Director, Office of China and Hong Kong Department of Commerce (Industrial Cooperation Working Group)
21. David Laux, Senior Member, National Security Council Staff
22. Richard Douglas, Assistant Deputy Secretary of Agriculture (Trade Relations Working Group)
23. Roger Sullivan, Special Advisor to the U.S. Delegation, Vice President National Council for U.S.-China Trade
24. David Markey, Assistant Secretary of Commerce, Designate, for Communications and Information (Industrial Cooperation Working Group)
25. Daniel Stein, Office of PRC and Hong Kong, Department of Commerce (Legal Issues Working Group)
26. Richard Boucher, Office of China Affairs, Department of State, (Legal Issues Working Group)
27. Patricia Haas, Office of East-West Trade, Department of Treasury (Legal Issues Working Group)
28. Thomas J. Collamore, Special Assistant to the Secretary (Secretary's Personal Staff)
29. B. J. Cooper, Press Secretary (Secretary's Personal Staff)
30. Howard Dixon, Special Assistant to the Secretary (Secretary's Personal Staff)
31. Jan Johnson, Secretary to the Under Secretary
32. Marie Strickler, Secretary to the Deputy Assistant Secretary

CHINESE DELEGATION TO THE FIRST SESSION OF JCCT

CHAIRMAN: Chen Muhua, State Councillor and Minister of Foreign Economic Relations and Trade

VICE CHAIRMAN: Jia Shi, Vice Minister, Minister of Foreign Economic Relations and Trade

MEMBERS: Li Shude, Director, 3rd Dept., MOFERT
(Permanent Executive Secretary for China-U.S. JCCT)

Huang Renquan, Deputy Director, 3rd Dept., MOFERT

Cao Jiarui, Deputy Director, Technology Import and Export Dept., MOFERT

Liu Chu, Deputy Director, Dept. of Treaty and Law, MOFERT

Ye Yi, Deputy Director, Import and Export Dept., MOFERT

Xu Dayou, Chief, Protocol Dept., MOFERT

He Qu, Division Chief, Foreign Investment Administration, MOFERT

Huang Yubin, Division Chief, Dept., of Treaty and Law, MOFERT

Chen Shibiao, Deputy Division Chief, 3rd Dept., MOFERT

Yan Muimin, Senior Engineer and Deputy Division Chief, Technology Import and Export Dept., MOFERT

Li Daoran, Deputy Division Chief, Dept. of Treaty and Law, MOFERT

Sun Zhenyu, Official, 3rd Dept., MOFERT

Shi Jianxin, Official, 3rd Dept., MOFERT

SATURDAY, May 21

Event # 2

DINNER WITH AMBASSADOR ARTHUR HUMMEL

Time: 7:00 p.m.

Location: Ambassador's Residence
U.S. Embassy - Beijing
17 Guanghua Lu

Transportation:

At 6:30 p.m. an assigned limousine will take you and Mrs. Baldrige from the Diaoyutai Guest House to the Ambassador's residence. Following dinner, at 9:30 p.m. you will return to the Diaoyutai by the same limousine.

Participants:

Ambassador Arthur Hummel, Secretary Baldrige and Mrs. Baldrige. Commercial Counsellor Melvin Searls, and Mrs. "Andy" Searls.

Scenario:

Ambassador Hummel has invited you and Mrs. Baldrige to a private dinner at the residence. Unfortunately Mrs. Hummel has been forced to return to the United States for a medical emergency in her family and will not be present. The Ambassador has, therefore, invited the Commercial Counsellor and Mrs. Searls to join you.

This meeting will afford you an opportunity to brief the Ambassador on the JCCT, economic developments in the U.S., and the current proposal to reorganize the International Trade Administration and USTR. The Ambassador, in turn, is expected provide a Beijing perspective on US-China relations and discuss some of the plans for expansion of our mission in Beijing.

BIOGRAPHY OF AMBASSADOR ARTHUR W. HUMMEL, JR.

Arthur W. Hummel, Jr. was born in China of American missionary parents in 1920. He speaks fluent Chinese and is one of the senior Sinologists at the Department of State.

After growing up in China, he attended Antioch College (1937-39) and the College of Chinese Studies in Beijing (1940-41). He was teaching English in Beijing when he was interned by the Japanese following Pearl Harbor. He escaped from the internment camp in 1944 and joined a unit of Chinese guerrillas. Mr. Hummel remained with that unit in eastern China until V-J Day in 1945. Then, until 1946, he worked for the U.N. Relief and Rehabilitation Administration in Tianjin. In 1947, he entered the University of Chicago Graduate School, where he received an M.A. in Chinese in 1949. After joining the State Department in 1950, he served as a public affairs officer in Hong Kong and Tokyo.

Most recently, he has served as Ambassador to Pakistan (1977-81), Assistant Secretary for East Asian and Pacific Affairs (1977), and Ambassador to Ethiopia (1975-76). Earlier in his career, he was Deputy Director of VOA, Deputy Assistant Secretary for Educational and Cultural Affairs, Deputy Chief of Mission in Taipei, Ambassador to Burma, and Deputy Assistant Secretary for East Asian and Pacific Affairs.

Mr. Hummel is married to the former Betty Lou Firstenberger. They have two sons.

SUNDAY, MAY 22

Event #3

GREAT WALL

Time: Depart Guest House at 8:00 am

Location: The Great Wall is 25 miles (2 hours) from Beijing. You will visit the section of the Wall at Badaling Pass which has been restored.

Transportation: Assigned cars and limousines

The Great Wall is one of the world's greatest architectural and engineering wonders. It stretches 1,684 miles from Shanhaiguan on the Bohai Gulf to Jiayuguan in Gansu province.

During China's early history, separate walls were constructed by different kingdoms. In 221 B.C. China's first emperor, Qin Shi Huang ordered the walls unified into one long wall. The Wall has been restored at least twenty times, the latest during the Ming dynasty in the 15th and 16th centuries.

The wall is filled with stone, brick and earth. On top are meter-high battlements giving a good view of the surrounding area. Blockhouses stand at intervals of 120 meters, with beacon towers at strategic points.

Since the Wall is very steep, you should wear comfortable shoes with good-grip (rubber) soles. It is also advisable that due to the altitude and the unpredictability of the weather, you take along a windbreaker.

The section of the Wall you will see is considered one of the eight scenic sites of Beijing, and a good spot for taking photographs.

The trip from the Wall to the Ming Tombs should take approximately 45 minutes. During the ride you will notice several agricultural communes and market towns on the way.

SUNDAY, May 22

Event #3(B)

MING TOMBS

Time: 11:45 a.m. - 12 Noon

Location: Approximately 45 minutes from Badaling Pass - Great Wall

Transportation: Assigned cars and limousines as previously arranged

Participants: Secretary Baldrige, Mrs. Baldrige and JCCT delegation

On the way to the Ming Tombs, you will pass through a 4-mile long path, once forbidden to all but the Emperor's family. A white marble gate of five arches (built in 1540) marks the start of the road. Next you will pass a "Great Red Gate", and a 30 foot tortoise, the symbol of longevity.

The "Avenue of Animals" follows: 12 pairs of large marble beasts standing in guard along the way, and later a statuary of 12 imperial ministers. (Note: Although modern day burials are not as elaborate, great Chinese leaders like Sun Yatsen are also buried in an area preceded by various gates, to signify the ascension to Heaven.)

The tombs of thirteen emperors are located in this area. Only two tombs have been excavated: Changling and Dingling. You will be visiting Dingling, the tomb of the emperor Wan Li (1573-1619). It can be reached by descending an ornate marble staircase. The emperor's treasures are on display in two small museums outside the tombs. A tour guide will explain the burial chambers and historical details surrounding the emperor's life.

After the tour, you will proceed to the restaurant building for lunch. (Approximately 1-1:30 p.m.). After lunch, you will return to the parking lot and to the assigned limousines for the return trip to the Guest House. Drive time: 1 hour. Expected time of arrival: 3:30 - 4:00 P.M.

WEDNESDAY, MAY 25

EVENT #17

CLOSING PLENARY - JCCT

Time: 2:30pm

Location: Meeting Room - Great Hall of the People

Participants: Secretary Baldrige, Minister Chen Muhua, and
Chinese and American delegates to the JCCT

The closing plenary will be similar to the opening session. The working group Co-chairmen will be asked to deliver their reports. Minister Chen Muhua will then deliver the first closing statement and invite you to provide closing remarks.

We expect the closing plenary to end by 5:00pm so that the press conference at the U.S. Embassy (Bruce Building) can begin at 5:30pm.

SECRETARY'S BALDRIGE'S
STATEMENT AT
CLOSING PLENARY

ON BEHALF OF THE AMERICAN DELEGATION I WOULD LIKE TO EXPRESS MY THANKS FOR THE HOSPITALITY SHOWN US DURING THIS INITIAL MEETING OF THE UNITED STATES-CHINA JOINT COMMISSION ON COMMERCE AND TRADE. WE HAVE HAD PRODUCTIVE MEETINGS. WE HAVE EVEN HAD TIME TO DO A LITTLE SIGHTSEEING. THANK YOU FOR THE WARM WELCOME AND FOR THE ARRANGEMENTS MADE FOR US.

THROUGHOUT OUR MEETINGS, CONVERSATIONS, AND TOURS, I HAVE BEEN STRUCK BY THE SPIRIT OF FRIENDLY COOPERATION ON BOTH SIDES. I WAS FORTUNATE TO HAVE THE OPPORTUNITY TO DISCUSS U.S. CHINA TRADE AND COMMERCIAL RELATIONS WITH PREMIER ZHAO, MINISTER CHEN, VICE-MINISTER JIA, AND OTHER LEADERS. MEMBERS OF THE WORKING GROUP HAVE ASSURED ME THAT THEIR TALKS HAVE BEEN EQUALLY USEFUL.

IN THE SHORT TIME THAT WE HAVE BEEN TOGETHER, WE HAVE TOUCHED ON MANY ECONOMIC, COMMERCIAL, LEGAL, AND TECHNICAL ISSUES. THE TRADE RELATIONS GROUP HAS TACKLED MANY FAMILIAR CONCERNS. WE HAVE BROKEN NEW GROUND IN OUR LEGAL ISSUES WORKING GROUP AND THE WORKING GROUP ON INDUSTRIAL COOPERATION.

AS I RETURN TO THE UNITED STATES, I TAKE WITH ME A DEEPER UNDERSTANDING OF THE CHINESE POINTS OF VIEW ON MANY FACETS OF OUR TRADE RELATIONS. I WILL CONVEY THIS UNDERSTANDING TO PRESIDENT REAGAN, WHO HAS TAKEN A KEEN INTEREST IN OUR DELIBERATIONS. HE BELIEVES, AS I DO, THAT INCREASED MUTUAL UNDERSTANDING WILL BE GOOD FOR BOTH THE UNITED STATES AND CHINA.

IN THIS FIRST MEETING OF OUR JOINT COMMISSION, WE HAVE MADE A GOOD BEGINNING. NEEDLESS TO SAY, NOT ALL ISSUES COULD BE RESOLVED, AND SOME WILL REQUIRE FURTHER STUDY. I AM PLEASED WITH THE RECOMMENDATIONS OF THE WORKING GROUPS, WHICH SUGGEST SEVERAL APPROPRIATE FOLLOW-UP ACTIVITIES. I LOOK FORWARD TO FUTURE SESSIONS TO CARRY ON THE PROGRESS WE HAVE MADE.

AS I SAID IN MY OPENING STATEMENT, CHINA AND THE UNITED STATES HAVE MUCH IN COMMON. IN MANY AREAS OUR INTERESTS ARE COMPLEMENTARY, AS ARE OUR NEEDS. U.S. FIRMS EXCEL IN MANY TYPES OF TECHNOLOGY THAT CHINA SEEKS. THE U.S. IS A WORLD LEADER IN THE VERY AREAS WHICH ARE EMPHASIZED IN CHINA'S CURRENT FIVE-YEAR PLAN AND, INDEED, ITS MODERNIZATION PLANS

THROUGH THE END OF THIS CENTURY. THE UNITED STATES CAN BE AN IMPORTANT SOURCE OF CAPITAL, TECHNOLOGY AND EQUIPMENT FOR THE DEVELOPMENT OF CHINA'S ENERGY, TRANSPORT, AND TELECOMMUNICATIONS. ON THE OTHER HAND, THE UNITED STATES REPRESENTS A POTENTIALLY LARGE MARKET FOR CHINESE GOODS. IN THE LONG RUN, THEREFORE, PROSPECTS ARE EXCELLENT FOR SUBSTANTIAL EXPANSION OF U.S.-CHINA TRADE.

WE MUST REMEMBER, THAT U.S.-CHINA TRADE DEVELOPMENT HAS NOT HAPPENED ON ITS OWN, OVERNIGHT. THE TREMENDOUS GROWTH WE HAVE ALREADY SEEN IN OUR BILATERAL TRADE TOOK MUCH PLANNING. IT TOOK PEOPLE WILLING TO TAKE RISKS. IT TOOK STUDY, PREPARATION, AND CONSULTATIONS. IT REQUIRED GOVERNMENT GUIDANCE. IT WAS THE PRODUCT OF A GREAT DEAL OF HARD WORK BY MANY PEOPLE, JUST AS THESE JOINT COMMISSION DISCUSSIONS HAVE BEEN.

THE WORK IS NOT OVER. IT IS NOT THE SAME KIND OF TASK, HOWEVER, THAT WE FACED IN THE BEGINNING. WE NO LONGER FACE THE HEAVY WORK OF LAYING THE FOUNDATION OF OUR TRADE AND COMMERCIAL RELATIONSHIP. INSTEAD, WE FACE THE MORE COMPLEX,

INTRICATE HANDIWORK REQUIRED TO BUILD THE UPPER STRUCTURE.
THIS JOB DEMANDS GREAT SKILL, CAREFUL CRAFTSMANSHIP,
UNDERSTANDING, AND A WILLINGNESS TO EXPLORE NEW TECHNIQUES.

THIS MEETING OF THE JOINT COMMISSION HAS CONVINCED ME THAT
BOTH THE UNITED STATES AND CHINA CAN MEET THE CHALLENGE. WE
INTEND TO GO ON RESOLVING OUR DIFFERENCES IN A FRIENDLY
MANNER AND DEVELOPING OUR RELATIONSHIP IN THE BEST WAY
POSSIBLE FOR ALL CONCERNED. WE HAVE DEDICATED PEOPLE. WE
HAVE THE RESOURCES AND THE SKILLS. MOST IMPORTANTLY, WE
SHARE MUTUAL RESPECT AND PLACE A VERY HIGH VALUE ON
CONTINUING THE GROWTH IN U.S.-CHINA TRADE. LET'S KEEP UP THE
GOOD WORK IN THIS NEW STAGE OF OUR TRADE RELATIONSHIP, SO
THAT WE CAN ALL ENJOY THE FRUITS OF OUR PROGRESS. THANK YOU.

THURSDAY, MAY 26

EVENT #20

AIRPORT DEPARTURE

Time: 10:45 a.m.

Location: Beijing International Airport

Transportation: Assigned limousines will leave the Diaoyutai Guest House at 9:15 a.m. en route to airport. Estimated travel time: 45 minutes.

Participants: Secretary Baldrige, Mrs. Baldrige, U.S. delegation, Ambassador Hummel, Mel Searls, David Brown, and other U.S. Embassy staff members.

Minister Chen Muhua, Vice Minister Jia Shi, Li Shude, and other Chinese participants to the JCCT.

While staff members are preparing the visa and customs formalities, you and the delegation will be taken to a VIP waiting room for a last farewell meeting with Minister Chen and other Chinese officials. This will be a very informal get together where tea and soft drinks will be served.

At a given time, an airport official will advise when your plane will be ready for boarding.

Talking Points:

- We have made much progress during the last four days. I believe that our meetings have been very productive.
- I had a wonderful time here in Beijing and I hope that during my next visit I'll have an opportunity to visit other cities.
- (If appropriate) I look forward to seeing you again in the United States for the second session of the JCCT.

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THE US-CHINA RELATIONSHIP

ISSUE: Overview of the US-China relationship.

TALKING POINTS

-- We cannot emphasize strongly enough the determination of this Administration to build good US-China relations. The President has reiterated the importance he attaches personally to a strong, stable relationship.

-- It is important that we develop ways to manage together problems which inevitably will arise in our relationship as it expands, so that such problems do not overshadow the positive aspects and impede progress.

-- We need to work together, here and in Beijing, to understand better our respective systems, and to reduce our differences and build on common interests.

BACKGROUND

It is a fundamental national interest of the United States to preserve and advance our relations with China. As President Reagan has stated, "Such a relationship is vital to our long-term national security interests and contributes to stability in East Asia." Secretary Shultz undertook a trip to Beijing in February aimed at putting the relationship on a more stable footing after a year of strain resulting from efforts to resolve the difficult issue of arms sales to Taiwan, a historical problem that was left unresolved at the time of normalization in 1979.

Last summer, after ten months of often contentious negotiations, Beijing and Washington concluded the August 17 US-China Joint Communiqué. On the basis of policy statements enunciated by both governments in the Communiqué (we -- gradually to reduce the level of our arms sales to Taiwan; the Chinese -- to follow as a matter of fundamental policy, a peaceful approach to resolving the Taiwan problem), we expect the issue of arms sales to diminish in importance.

Secretary Shultz' visit to Beijing in February was a major contribution toward improving US-China relations. The atmospherics of the visit were excellent and high-level rapport and dialogue were reestablished. The Chinese ceased their criticisms of the US that lumped us in the same category as the Soviets. The benefits, however, were short-lived. With

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ISSUES THE CHINESE MAY RAISE

You may find the following background and suggested talking points useful in case the Chinese raise specific issues during your visit.

U.S. Arms Sales to Taiwan

U.S. arms sales to Taiwan remains the most potentially divisive issue in U.S.-China relations and must be managed carefully if it is not again to become a disruptive factor. The arms sales problem was not resolved during the course of negotiations leading to U.S.-China normalization, and the Chinese reserved the option to raise the issue at a later date. They did so as we were debating the merits of selling the F-X to Taiwan. Although we determined that Taiwan had no compelling defense need for the F-X, the entire issue of arms sales to Taiwan became the dominant focus of U.S.-China bilateral relations for the ten months preceding the signing of the August 17 Joint Communiqué.

The Communiqué contains parallel statements of policy. The Chinese declare their fundamental policy of striving for a peaceful resolution of the Taiwan question; we state that, with the foregoing in mind, we will reduce gradually the quality and quantity of our arms sales to Taiwan. The Chinese refuse to accept an explicit linkage of the two policy statements, but are well aware that U.S. policy on arms sales is contingent on their continued peaceful approach. We have assured the Chinese repeatedly, and at all levels, that we intend to abide by the Communiqué and that we expect the Chinese to do the same.

POINTS THAT COULD BE MADE

- The issue is sensitive to both China and the U.S. and was addressed courageously by leaders on both sides in the August 17 Communiqué.
- President Reagan stands firmly behind the Communiqué and can be relied on to implement it, just as we expect the Chinese to do.
- This being the case, U.S.-China relations should be allowed to advance despite our remaining differences over Taiwan.

Two-China Policy

The Chinese frequently accuse the U.S. of following a two-China or a one-China, one-Taiwan policy.

POINT THAT COULD BE MADE

- The United States has no intention of pursuing a two-China or a one-China, one-Taiwan policy.

Sovereignty

The Chinese frequently accuse the U.S. of violating Chinese sovereignty by our arms sales of Taiwan, and of failure to recognize PRC sovereignty over Taiwan. We reject the first assertion and take no position on the matter of sovereignty over Taiwan.

POINTS THAT COULD BE MADE:

- U.S. arms sales to Taiwan do not in any way violate Chinese sovereignty.
- The U.S. acknowledges the Chinese position that there is but one China and Taiwan is part of China.

Reunification of Taiwan and Mainland China

The reunification of Taiwan with the PRC is a major goal of the PRC. This is opposed by virtually everyone in Taiwan, and the Taiwan authorities refuse to discuss the matter with Beijing.

POINTS THAT COULD BE MADE

- As President Reagan stated on August 17, 1982, "The Taiwan question is a matter for the Chinese people, on both sides of the Strait, to resolve."
- Our only interest in this matter is that any resolution of the Taiwan issue be arrived at peacefully.

Our Unofficial Relationship with Taiwan

Chinese officials from time to time question the appropriateness of contacts between USG officials and Taiwan's unofficial representatives. They protested the opening last fall of a new office of Taiwan's unofficial Coordination Council for North American Affairs (CCNAA) in Boston (in addition to those already functioning in nine other U.S. cities).

POINTS THAT COULD BE MADE

- We are of course maintaining our unofficial, people-to-people relationship with Taiwan.
- Any contacts which USG officials may have with Taiwan representatives are completely unofficial in nature and do not imply any official relationship between the U.S. and Taiwan.
- CCNAA offices are all completely unofficial, intended to facilitate travel, cultural and commercial relations between the people of the United States and the people of Taiwan. The opening of a new CCNAA office not in any way constitutes an upgrading of relations between the U.S. and Taiwan.

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CURRENT U.S.-CHINA RELATIONS

ISSUE

There is a feeling in some quarters on both sides of the Pacific that President Reagan favors Taiwan's interests at the expense of China's sensitivities, and that renewed advances in U.S.-China relations are not possible for the remainder of the Reagan Administration's tenure.

TALKING POINTS

-- The Hu Na decision reflects the impartial workings of our administrative and judicial process. It is not intended as a comment on the Chinese system or its leaders. The case was decided in strict accordance with our laws, regulations and traditions.

-- President Reagan has often expressed his view of the importance of good U.S.-China relations. Even in the Human Events interview, he clearly stated that "it would be foolish not to go forward with trying to keep good relations."

-- The President wants a strong and stable relationship with China, and has consistently stated that we will abide fully by the provisions of all three U.S.-China Joint Communiques. His remarks to conservative audiences should be seen as strong internal defenses of the August 17 Communique, not a retreat from it.

-- The record of this Administration is constructive. It set out from the beginning to formulate policies that would treat China as a friendly, non-allied state. At the President's direction, the Administration has scored significant progress in implementing this policy, particularly in the area of technology transfer routinely approved for China.

-- The August 17 Communique dealt with the difficult issue of Taiwan arms sales--left unresolved at normalization--and achieved a result that met the special needs of both sides. We regard it as a major achievement in the development of U.S.-China relations. We have no reason to doubt the intent of either side to comply with the Communique, which commits both sides to take steps to strengthen our bilateral relations.

-- Secretary Shultz had an exceedingly productive visit to Beijing in early February, during which he assured his Chinese hosts of the President's continued commitment to good U.S.-China relations and his determination to abide by the terms of the three U.S.-China communiques.

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-- Our warm reception of China's distinguished new Ambassador symbolizes the importance we attach to the relationship and our determination to achieve new advances. The doors of this Administration will remain open to this Ambassador as we work together to resolve problems.

BACKGROUND

The Chinese reacted swiftly and angrily to the decision to grant asylum to Hu Na. Furthermore, they formally protested President Reagan's remarks in a Human Events interview in February, which they interpreted as a step back from our professed policy articulated in the August 17 Joint Communique on Taiwan arms sales. They have also expressed private sentiments questioning the prospects for improving relations over the coming year.

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OVERVIEW OF U.S.-CHINA TRADE

Issue

Since diplomatic normalization in 1979, U.S.-China Trade, while expanding, has developed unevenly. Trade levels will be affected by economic factors in China (e.g., bumper harvests and/or economic readjustment) and in the United States (e.g., economic recession), as well as a number of bilateral issues (including U.S. export controls, U.S. restrictions on Chinese imports such as textiles, formal trade complaints against Chinese exports, and China's trade imbalance with the United States). The most important factor, however, will be China's economic modernization, the success of which should lead to more purchases from the United States.

Talking Points

- We note that U.S.-China trade, after four years of rapid expansion, declined last year. While U.S. imports from China continued to grow steadily in 1982, U.S. exports to China dropped by 19 percent from the 1981 level.
- We feel that government-to-government initiatives can make a significant contribution to the development of our bilateral commercial relationship.
- The U.S. is committed to the continued expansion of U.S.-China Trade.

Background

U.S. trade with China developed rapidly following diplomatic normalization in 1979. Total two-way trade, which had doubled between 1978 and 1979, and again between 1979 and 1980, continued to grow in 1981. Two-way trade in 1982, however, was only \$5.2 billion, a decline of 5.5 percent from the \$5.5 billion of 1981.

U.S. imports of Chinese goods as a percent of total trade have increased from 22 percent in 1980 to 34 percent in 1981, and to 44 percent in 1982. As a result, the U.S. trade surplus with China declined from a high of \$2.7 billion in 1980 to \$1.7 billion in 1981, and to \$628 million in 1982.

Agricultural commodities have remained the predominant export to China since 1978. However, the share of agricultural products in U.S. exports to China has declined - from 70 percent in 1978 to 51 percent in 1982, reflecting a more rapid expansion of U.S. nonagricultural exports to China. Heading the list of U.S. nonagricultural sales in recent years were machinery and transport equipment, synthetic resin, fertilizers, kraft paper and paperboard, man-made fibers, wood pulp, and lumber products.

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Although U.S. imports of Chinese agricultural goods grew steadily in recent years, their share in U.S. total imports from China declined from 30 percent in 1977 to 8 percent in 1982. (This pattern was temporarily distorted in 1981 by increased purchases of Chinese peanuts.) More than half of U.S. imports consisted of manufactured goods, principally textile products. Other leading manufactured good imports included footwear, rugs, artworks, and antiques. The value of U.S. nonmanufactured, nonagricultural imports from China has registered rapid increases, especially since 1979, largely because of purchases of Chinese petroleum and petroleum products. U.S. imports of these products in 1982 reached \$600 million, 26 percent of total imports from China.

Appendix
U.S.-China Trade, 1977-83
(In millions of U.S. dollars)

Year	Total trade	U.S. exports (fas)	U.S. imports (customs value)	U.S. balance
1977	374.0	171.3	202.7	- 31.4
1978	1,142.2	818.2	324.0	494.2
1979	2,308.8	1,716.5	592.3	1,124.2
1980	4,807.3	3,749.0	1,058.3	2,690.7
1981	5,493.9	3,598.6	1,895.3	1,703.3
1982	5,195.8	2,912.1	2,283.7	628.4
Jan-Feb 1983	857.4	477.6	379.8	97.8

Drafted by: Nai-Ruenn Chen ITA/IEP/OPH 4/13/83/x 4681
WANG NO. 1522N/page 34

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CHINA
ECONOMIC FACT SHEET

TRADE

1. U.S. CHINA TRADE

	<u>1982</u>	<u>1981</u>	<u>1980</u>
U.S. Exports	\$2.9 billion	\$3.6 billion	\$3.7 billion
U.S. Imports	\$2.3 billion	\$1.9 billion	\$1.1 billion
TOTAL	\$5.2 billion	\$5.4 billion	\$4.8 billion

Principal U.S. exports: Wheat, corn, aircraft, scientific instruments, fertilizers, lumber, wood and paper products.

Principal U.S. imports: textiles, petroleum products, footwear, artworks and antiques.

China's Trade Ranking for U.S.:
21st (1982) 21st (1981) 24th (1980)

2. CHINA'S FOREIGN TRADE

	<u>1982</u>	<u>1981</u>	<u>1980</u>
PRC Exports	\$21.8 billion	\$21.6 billion	\$19.0 billion
PRC Imports	\$16.0 billion	\$18.1 billion	\$19.4 billion
TOTAL	\$37.8 billion	\$39.7 billion	\$38.4 billion

3. CHINA'S LEADING TRADE PARTNERS:

- a. Japan
- b. Hong Kong
- c. United States
- d. West Germany
- e. Canada

4. 1982 ECONOMIC INDICATORS:

- a. Land Area - 9.6 million square kilometers
- b. Population - 1,015.4 million
- c. GNP - \$256 billion
- d. GNP Growth - 7.4 percent
- e. Per Capita GNP - \$250
- f. Inflation - 1.9 percent (CPI)
- g. U.S. \$ - Renminbi exchange rate - \$1.00 = 1.89 yuan

EXPORT CONTROL CASES

Issue

In previous visits of high U.S. government officials to the PRC, Chinese officials raised questions regarding specific pending export license applications.

Talking Points

- We have had frank and open discussions in the past concerning the status of export license applications, and we have explained the intricacies of the process, the interagency review structure, and to the extent possible, policy factors holding up a decision.
- Cases which exceed the two-times policy for China continue to require interagency, and in some cases, COCOM review. While such review is undeniably time consuming, it is mandated by law and is an inherent part of U.S. export controls.
- For those more difficult cases requiring interagency review, the majority of cases referred there are being processed within the statutory deadlines.

Background

Following are a group of controversial export license applications. They are pending in the interagency structure at various levels of review, and illustrate how existing guidelines can be interpreted differently by the various agencies advising the Commerce Department on export control matters.

Landsat "D" Computerized Image Processing

Per an agreement signed in 1979 between the governments of the United States and the PRC, the PRC will purchase a ground station capable of receiving and processing data from the Landsat "D" weather resources satellite. To that end, the U.S. undertook an extensive interagency review, and agreed to technical and procedural guidelines, which were announced on October 8, 1982, under which the Department of Commerce would issue export licenses.

The guidelines permit inter alia, the export of high density nine track tape recorders having a maximum, recording/playback speed of 15 Mb/s and 85 Mb/s. Not permitted is tracking in the X-band frequency because such data transmitted in this band contains military information.

In March, OEA received five license applications from S.A.C.S., with a total value of \$10 million. The cases are being processed in the interagency review system. Since the applicant has requested equipment with specifications greater than those contained in the guidelines, quick action can not be anticipated.

Large Scale Computer

Applications (619199, 621386) from Stramin for VAX 11/780 computers and parts have been pending in OEA and the interagency structure since May 1982.

This system has a PDR of 58.1 and internal memory of 16 Mbits. This falls just within current PRC guidelines. The system is especially designed to furnish a powerful virtual addressing capability, and in a review in the interagency structure very serious negative considerations were raised because of the end user, Chengdu Institute of Radio Engineering. Some believe that this system could contribute to one or more of the four mission areas.

This case is pending at the Assistant Secretary level of review.

WUXI Linear IC Plant

A total of nine applications have been resubmitted to OEA, which are detailed below, and are being considered by the United States Government as a package transaction. The products are for the manufacture of integrated circuits, which are ultimately for use in color television sets.

The proposal has been in and out of the interagency system, with cases already denied, but subsequently resubmitted in the appeals system. The denied items were technically superior to what was needed, and the technology exceeded the 1975-1977 time frame that had been established.

These applications are meeting strong interagency resistance, and approval is not expected unless there are changes in the current China policy.

Beijing Electron Tube Factory

Like the WUXI transaction discussed above, and as part of seven factories that have been targeted for modernization by the importation of semiconductor production equipment. The Beijing Electron Tube Factory is part of the undertaking to manufacture components for China's color TV industry. Beijing

will make UHF and VHF dual Gate FETS, small signal transistors, and linear ICs.

Applicant has already been informed that some of the equipment, the ion implantor, the plasma etcher, and the projection mask aligner would be denied.

Technical issues and policy consideration parallel those discussed above under WUXI, and the favorable resolution of these cases rests on liberalization of the current China policy.

Acoustic Emission Technology

AET filed two applications in May of 1982 for a model 5000 acoustic emission system. While the transaction is relatively small (\$112,000) it has posed export licensing problems.

Interagency disagreement stretches back for nine months, and the case has been escalated to the senior policy level (ACEP) for consideration. It is argued that the system can be used to analyze stress in solid material and therefore has applications in several of the mission areas.

The denial recommendation is specific to this transaction, as there is a licensing history for such equipment to the PRC in the past.

CONFIDENTIAL

U.S.-CHINA TEXTILE RELATIONS

ISSUE

The U.S.-China textile agreement expired December 31, 1982. Six rounds of negotiations to date have not yielded a new agreement. At the most recent round in mid-April, significant progress was made and the discussions were conducted in a businesslike and positive atmosphere. The date and place of the next round of discussions are still to be scheduled.

TALKING POINTS

- The U.S. Government is sincerely interested in reaching a mutually acceptable agreement. We remain optimistic that agreement is attainable.

- We are encouraged by the significant progress made at the round of talks in April.

- We look forward to a new round of talks in the near future which, hopefully, will be conclusive.

BACKGROUND

China's textile exports to the U.S. grew rapidly from a small base during the 1970's when we were evolving a stronger bilateral political and economic relationship. China has now become our fourth largest supplier, behind Taiwan, Hong Kong, and Korea, with annual growth rates of 40%, 73%, and 19%, respectively, for the years 1980 to 1982. The volume of U.S. imports from China rose from 324.7 million square yards equivalent (sy) in 1980, to 670.6 million sy in 1982. During this period China's share of the U.S. import market rose from 6.3% to approximately 11% in 1982, whereas the shares of the "Big Three" have declined. Given the depressed state of the domestic market (industry profits down 50% in 1982 over 1981, unemployment up 20% in 1982 over 1981) and rapidly rising imports, the President is committed to curbing overall textile imports by relating total import growth to growth in the domestic market. (see attached). Due to industry and congressional concerns the President announced at a White House meeting that he would not hesitate to safeguard the U.S. market if a satisfactory agreement is not reached.

In 1982, in response to the growing unemployment and decreased production in the U.S. industry, the Administration negotiated new bilateral agreements with the top three

CONFIDENTIAL

2
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suppliers to the U.S. market - Taiwan, Hong Kong, and Korea. These new agreements provide for growth rates in specific quotas below the rate of growth in the domestic market for the next six years. Since renegotiating these three agreements the United States has established quotas on twenty additional product categories not previously subject to restraint with these suppliers. In total these quotas cover 65 percent of Hong Kong, 79 percent of Taiwan, and 78 percent of Korean exports of textiles and apparel to the United States. In the context of the China negotiations, the U.S. proposals are more generous in terms of base levels, growth rates, percentage of trade covered by quotas and the consultation mechanism, than these elements incorporated in the agreements negotiated with Taiwan, Hong Kong, and Korea.

Because textile and apparel exports account for about 25% of China's total hard currency earnings and because they are expected to help finance the imports needed to spur its modernization efforts throughout the decade, China has taken a firm stance on textile matters. In addition, the Chinese continue to cite the large trade imbalance with the U.S. (approximately \$6.6 billion from 1978-1982).

After four rounds of unsuccessful negotiations -- beginning in August 1982 in Beijing -- the U.S. Government, adhering to a Presidential commitment, imposed unilateral import controls on Chinese textiles on January 18. In retaliation, China announced its intention to halt purchases of U.S. soybeans, cotton, and chemical fibers while simultaneously reducing "planned" imports of other U.S. agricultural goods. The actual impact of this move on U.S. exports is questionable, although nervousness has been expressed in various industry sectors (primarily grain, timber, and forest products).

Although the sixth round also recently concluded in Washington without agreement (April 18-27), significant progress was made and the atmosphere was positive and businesslike. While disappointed that agreement was not reached, both sides were hopeful that the next round of negotiations would be conclusive. The next round of negotiations have not yet been scheduled.

Francis F. Ruzicka
Office of the U.S. Trade
Representative

May 3, 1983

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U.S. IMPORT LAWS AND PROCEDURES

Most trade complaints against Chinese imports have been filed under U.S. antidumping law and Section 201 and 406 (market disruption) of the Trade Act of 1974. The following is a brief explanation of the purpose and procedures of these laws.

U.S. Antidumping Law

- U.S. antidumping law provides for the assessment of antidumping duties in the event imported products are being sold in the United States at less than fair value (LTFV) and those sales are causing material injury to the domestic industry.
- In order for antidumping duties to be assessed, the U.S. ITC must determine that sales of the imported product are causing material injury to the domestic industry, and the Commerce Department must find that the imported product is being sold at less than fair value. In the event either reaches a negative determination, the investigation is terminated.
- Depending upon the complexity of the case, the Commerce Department may take between 225 and 345 days to make its final determination as to the existence of sales at less than fair values.
- The ITC is required to make a final determination of material injury within 45 to 75 days after an affirmative final determination of dumping by the Commerce Department.
- If the final ITC determination is affirmative, an order requiring the imposition of antidumping duties must be issued within seven days.
- Under U.S. antidumping regulations, the foreign market value of goods produced in a state-controlled economy will be determined on the basis of the price of similar merchandise produced in a non-state-controlled economy of comparable economic development; or constructed value of such merchandise.
- If no non-state-controlled economy of comparable economic development can be identified, then the prices or constructed value in a non-state-controlled economy other than the United States shall be used, suitably adjusted for known differences in the costs of material and labor.
- If neither of these methods provide an adequate basis for determining the price or constructed value of such

UNCLASSIFIED

UNCLASSIFIED

-2-

merchandise, then the prices or constructed value of similar merchandise in the U.S. market shall be used.

Trade Act of 1974: Section 201 and Section 406 (Market Disruption)

Section 201

- Briefly, Section 201 of the Trade Act of 1974 allows for the provision of relief for the purpose of facilitating orderly adjustment to import competition, in the event an article is being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or threat thereof, to the domestic industry.
- The procedures under Section 201 are initiated with the filing of a petition for eligibility for import relief with the U.S. International Trade Commission (ITC).
- The ITC will then conduct an investigation to determine if imports are causing or threatening to cause serious injury to the domestic industry.
- Within six months of receiving a petition for eligibility for import relief, the ITC must report to the President whether or not serious injury, or the threat thereof, exists within the domestic industry. If the ITC determines that injury does not exist, the case is terminated. If the ITC finds the existence of injury, it must also recommend to the President measures for remedying the injury.
- The President then has sixty days to decide whether to implement the remedy recommended by the ITC, implement some other form of import relief, or decide that the provision of import relief is not in the national economic interest.
- In providing import relief, the President may increase tariffs (but not greater than 50 percent ad valorem above the presently existing rate), impose quotas, proclaim a tariff rate quota, negotiate an orderly marketing agreement, or take any combination of these actions. However, the import relief may not remain in effect for longer than five years.
- If the President chooses not to implement the remedy recommended by the ITC, or chooses not to provide import relief, his decision may be subject to override by the Congress.

UNCLASSIFIED

UNCLASSIFIED

-3-

Section 406

- Section 406 of the Trade Act of 1974 allows for the provision of relief in the event imports of an article from a communist country cause market disruption within the domestic industry.
- Market disruption is defined as existing within a domestic industry whenever imports of an article from a communist country are increasing rapidly, either absolutely or relatively, so as to be a significant cause of material injury, or threat thereof, to the domestic industry.
- The procedures under Section 406 are identical to those under Section 201, with the exception that the U.S. ITC must report the findings of its investigation to the President within three months of beginning its investigation.
- Import relief provided by the President must be limited to imports from the country in question.

U.S. Countervailing Duty Law

- U.S. countervailing duty law provides for measures to insulate domestic industries from material injury resulting from subsidized imports into the United States.
- To date, no CVD petitions have been filed against products from non-market economy countries.

Drafter: LMonk/USDOC, 377-3583; 4/16/83
Cleared by: USDOC/PNichols/MCarmen/CParlin
Wang No. 2075N, pages 11-13

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Asian Development Bank

ISSUE

The Chinese request to join the Asian Development Bank was accompanied by a precondition that the representatives of Taiwan be expelled from the Bank.

TALKING POINTS

-- The US recognizes the People's Republic of China as the sole legal government of China and intends to act in a manner which is entirely consistent with that position. We understand that the PRC qualifies for membership under the ADB charter.

-- This is a delicate issue for the United States. There are many views, including those expressed by Congressmen and those reflected in legislation, which we must take into account as we proceed to consider your request.

-- Precipitous action could prove counterproductive. We believe that the best course is to work carefully with ADB management and other members so that practical arrangements can be worked out.

BACKGROUND

China has expressed a desire to join the Asian Development Bank (ADB) and has requested that the representatives of Taiwan (who occupy a seat in the bank as the "Republic of China") be expelled. This matter is under discussion by the ADB management and the members of the ADB, most of whom recognize the PRC as the government of China.

Taiwan has not borrowed from the Bank since 1971, due to its level of economic development. The PRC has indicated that it understands the traditional role of the Bank in meeting the needs of small countries in the region and would take that role into account before making any requests to borrow.

We have discussed this issue with the parties involved. The US recognizes the PRC as the sole legal government of China, and intends to act in a manner consistent with that recognition and with our statements in the August 17 Joint Communiqué that we do not support a "two-China's" or "one China, one Taiwan" policy. China has charged that our lack of clear-cut support for the expulsion of Taiwan contradicts this basic policy. At the same time, domestic legislation in 1980 expressed the sense of the Congress that the Administration should undertake a serious review of funding and participation by the US itself, if Taiwan is expelled.

DRAFTED: STATE DEPARTMENT: EA/C: RBoucher ^{AK}
4/19/83 (Revised) Wang 6676C ext. 632-2656
Cleared: EB/ODF: RWoody ^W EA/EP: JGregory ^{JG} Treasury: PHaas ^{PH}

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PRC Liability for Railway Bonds

ISSUE

In September, an Alabama court found the PRC liable for \$41.3 million for Imperial Government railway bonds. The PRC has refused to appear to defend its interests in US courts.

TALKING POINTS

-- This is a small issue which threatens to disrupt our trade relations. We should take care that it not be allowed to get out of hand and that it be settled equitably.

-- Attachments of assets in the US and retaliation in China could have a chilling effect on trade, investment, and Chinese borrowing. Precipitous action could destroy China's growing reputation for reliability in commercial matters.

-- The US is prepared to discuss with you legal issues involved in these suits, the procedures of US courts and steps available to China to resolve this matter. We believe these discussions will be of significant mutual benefit, and hope they can be rescheduled.

-- In a separate matter, the US has filed papers to overturn the ruling of a lower court in the Shanghai Power Company matter. Our filing is based on our interest to carry out US obligations under the Claims/Assets agreement.

BACKGROUND

In 1911, the Imperial Government of China issued bonds to finance the construction of a railway from Hubei to Guangzhou (Huguang Railway Bonds). Payments stopped in 1939. In a September 1982 default judgement, a US court, in a class action suit brought on behalf of all holders of bonds of this issue sold in the United States, found the PRC liable for the outstanding amounts plus interest. China, in diplomatic notes which the State Department had transmitted to the courts, has asserted that, as a sovereign government, it was not subject to suit in US courts and has refused to appear to argue the case on its merits.

The bondholders can seek to attach Chinese property in the US to execute the judgement, but the type of property available for attachment is limited by our Foreign Sovereign Immunities Act to property related to the commercial purposes for which the judgment was issued. In February, the PRC transmitted a diplomatic note to Secretary Shultz in which it asserted its immunity and stated, "Should the US side...attach China's property...the Chinese government reserves the right to take measures accordingly."

UNCLASSIFIED

UNCLASSIFIED

-2-

We have discussed the legal issues involved with this case with the Chinese several times. However, in April after the Hu Na incident, the Chinese postponed the visit of a US legal delegation which planned to discuss possible means of resolving the problem. We believe the Chinese would benefit from these discussions and should promptly suggest a new date.

In a case recently filed in Pennsylvania courts, US citizens have requested over \$1 billion for other bond issues, and two more cases have been filed in New York courts for general revenue bonds. All three cases are at an early stage but could result in default judgements if the Chinese do not appear.

The Chinese have also protested a recent decision by a Delaware State Court denying Chinese shareholders of the Shanghai Power Company the right to cash in their shares because of a "counterclaim" filed against them based on the PPC's expropriation of Shanghai Power's plant in 1949. The expropriation claim was extinguished by a US-China Agreement in 1979. The Justice Department is seeking to set aside the decision.

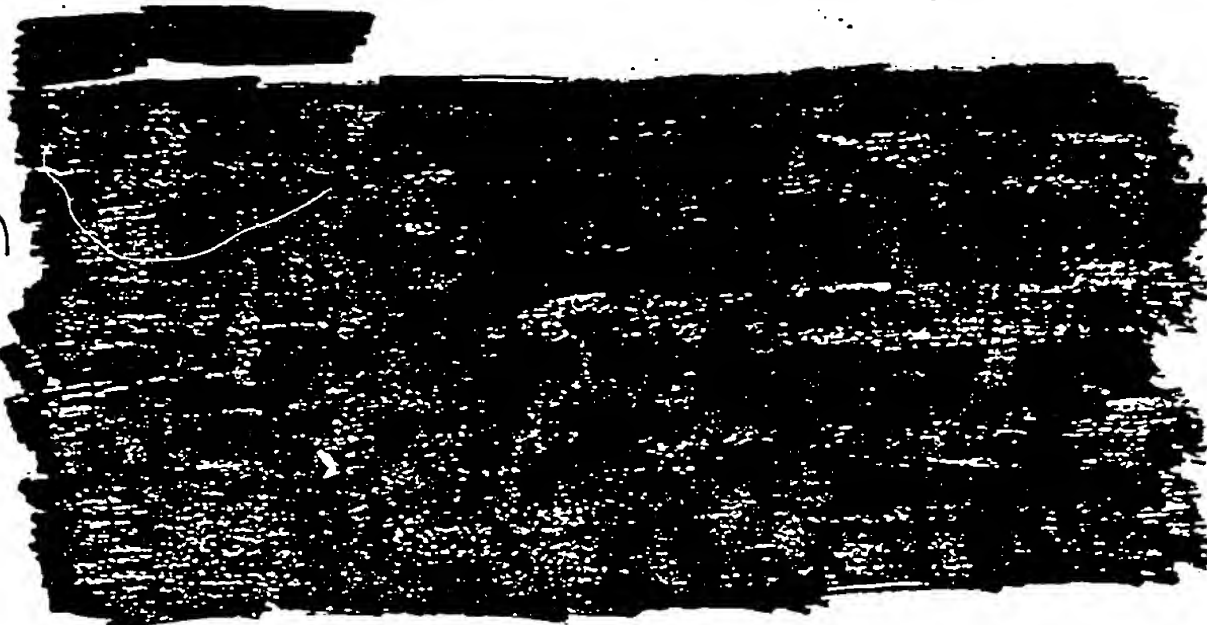
Draft:STATE DEPARTMENT:EA/C:RBoucherjcc
Wang 6678C 4/12/83 (Revised) 4/19/83
Cleared: Treasury:PHAasfu

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BUSINESS FACILITATION

ISSUE:

- (U) In recent months, China has announced new supplementary regulations affecting the registration of foreign firms, and regulations concerning the establishment of foreign financial institutions in Chinese cities. The new regulations restrict the activities and the kinds of firms allowed to establish permanent offices in China, in marked contrast to the absence of restrictions in Chinese organizations in the U.S.
- (b)(1)
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BACKGROUND

- (U) We have raised business facilitation issues with the Chinese since the first session of the JEC in 1980. With the exception of enacting some registration provisions and relaxing travel restrictions, the Chinese have done little to improve the conditions for doing business in China. We continue to face difficulties with the new supplementary registration regulations, the inability of U.S. banks to open branches, customs, visas, office/living space, cost of services and telecommunications.

REGISTRATION

- (U) Since December 1980, China has announced regulations governing the registration of foreign companies in China. Approximately 85 U.S. firms have registered with the State Administration for Industry and Commerce (SAIC) --formerly the General Administration for Industry and Commerce (GAIC). The actual number of U.S. companies including those unregistered however, is closer to 100. Representatives of registered firms can obtain an alien registration card and a multiple entry visa.

CONFIDENTIAL

CONFIDENTIAL

- 2 -

- (U) On March 15, China published supplementary regulations providing for penalties up to 20,000 RMB (US\$10,000) for foreign representatives who engage in direct business operations, as opposed to non-profit activities, and up to 10,000 RMB (US\$5,000), for business representatives who have not registered with the SAIC. Since Chinese organizations have refused to sponsor service organizations, particularly attorneys, the stiff penalties appear to be aimed at eliminating the presence of these firms in China.

BANKING REGISTRATION

- (U) China recently issued new provisional regulations on establishing representative offices of foreign financial institutions in China. The regulations state that foreign banks must first establish representative offices in Beijing before establishing branch offices in other Chinese cities. The scope of operation of representative and sub-representative offices is limited to "non-profit activities", and the People's Bank of China has the right to "supervise, regulate, and examine" the activities of these offices.

The Chinese continue to oppose the expansion of banking activities of representative U.S. banks in China. Our objective is to obtain "branch status" for our representative banks which would allow them to issue letters of credit, accept foreign currency deposits and other activities.

COST OF SERVICES

- (U) Foreigners are still charged higher prices for equivalent services (restaurants, trains, etc.) and are often refused the option of alternative, less expensive services.

Since this is a problem that affects the international foreign community in China, our Embassy believes that this issue should be raised in all bilateral and multilateral negotiations with the Chinese. We are prepared to address this issue at the BIT, negotiations, JCCT and the first Joint Tourism Committee tentatively scheduled for September in Washington.

We also believe that since registered business residents pay taxes in China, this discriminatory pricing system should not be continued. Such practices of arbitrary high pricing make it more expensive and more difficult to conduct business in China than in other parts of Asia.

CUSTOMS

- (U) There continue to be variations in customs duties assessed in Chinese ports. Unreasonable delays are encountered while customs officials determine the duties to be assessed on equipment. Customs duties on office equipment sometimes exceed the equipment cost, and customs bonds posted at one point may

CONFIDENTIAL

- 3 -

VISAS

- (U) Some registered U.S. business representatives in China have received multiple entry visas, but non-registered business travelers who must visit China periodically have generally received single entry visas. The Chinese Foreign Ministry has not responded to a U.S. proposal to liberalize a visa reciprocity schedule.

OFFICE/LIVING SPACE

- (U) It has been reported in the press that the Chinese have begun constructing a 28-story office building for foreign companies. Office space is now limited to 11 hotel rooms, and rents are high enough to deter some companies from registering and maintaining offices. Housing is rented on a daily basis and is very expensive.

TELECOMMUNICATIONS

- (U) U.S. companies are unhappy about the exorbitant prices charged to install telex machines (up to \$2,800). Most often than not, hotels are reluctant to permit the installation of office equipment like copying machines and telexes, thus making it difficult for companies to do business in China.

Prepared by COM/ITA/EAP/OPH/LMonk
Cleared by: EA/C/KPowell, LTakahashi
 USTR/WTriplett
Wang No. 2075N, page 7-9

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CHINESE EXPORT PRACTICES AND U.S. IMPORT SENSITIVE INDUSTRIES

Issue:

As Chinese exports continue to grow, we anticipate a parallel increase in the number of trade complaints filed under antidumping and market disruption laws. It is important that the Chinese understand that these trade complaints do not arise as a matter of U.S. government policy.

Talking Points:

- As you are aware, the number of trade complaints filed against Chinese imports have increased in the last two years to a total of 8, compared to only 5 filed between 1972 and 1981.
- In order to minimize any misunderstandings resulting from such complaints, we believe you should be familiar with the purpose and workings of our trade laws.
- Under our legal system, we cannot prevent our citizens from filing complaints under our statutes, nor can we dismiss them without due process of the law, including as necessary public hearings to afford all interested parties, including the foreign producers, an opportunity to be heard.
- While the U.S. has a responsibility to follow up on these trade complaints, they are not a reflection of U.S. government policy towards Chinese imports.
- We understand the administrative and financial burden involved in these cases but we are pleased to see that you have decided to become actively involved in the process of defending your interests before the Commerce Department and the USITC.

Background

A record number (compared with previous years) of antidumping (5) and Section 406 (2) market disruption cases have been filed against imports from the PRC in calendar year 1982. We anticipate that this trend of increasing trade friction will continue as trade with the PRC expands and develops. Not only has this been the pattern of trade relations with our major trading partners such as Japan and Canada, but the PRC has three special characteristics which ensure the likelihood of trade friction. As a developing country, Chinese exports tend to be those products such as textiles, chinaware, shoes, etc., which have a history of sensitivity. Also China is entering the U.S. market late and domestic industries have already had

UNCLASSIFIED

UNCLASSIFIED

- 2 -

time to become politically organized in their efforts to defeat other importers such as Taiwan, Hong Kong and South Korea. As a nonmarket economy country, there is a perception that China is not bound by the same market constraints as market economies in pricing its export goods.

Market Disruption (Section 406 of the Trade Act of 1974)

No new cases have been filed in 1983. In 1982, the ITC voted unanimously that there was no market disruption against imports of ceramicware and cookware from the PRC.

In the case of canned mushrooms, the ITC split 2-to-2, and President Reagan accepted the determination of the two USITC Commissioners who found that there was no market disruption of these imports from China.

Antidumping

In the coming months, the Import Administration will be announcing preliminary and final determinations on dumping cases against Chinese cotton printcloth, cotton shop towels, mushrooms, potassium permanganate and chloropicrin.

In addition to the actual trade cases which have been filed, lawyers for a number of domestic interests have made the rounds of the USG requesting unofficial assistance to hold down imports. Among these are footwear (both rubber and non-rubber), manhole covers, and certain tungsten based chemicals. U.S. Government representatives recently held successful consultations with Chinese trade officials on the subject of rising tungsten exports to the U.S. The Chinese welcomed the early consultations before a trade complaint is formally filed by U.S. industry. The likelihood of this happening will depend on efforts the Chinese make to control their exports and to institute an orderly marketing strategy for tungsten and its related products.

Among the other industries already facing intense import competition are textiles, mushrooms, footwear, and chinaware. Recently, American candle manufacturers have pointed out to us the substantial increase in candle imports from the PRC. Even though some of these imports have been found not to cause injury or to disrupt markets, their political sensitivity is still high.

Drafted by: USTR/WTRIPPLETT III
Revised by: Comm/ITA/EAP/LMONK/4/25/83
WANG NUMBER 1298N page 66-67

UNCLASSIFIED

INDUSTRIAL COOPERATION

ISSUE:

We are proposing to the Chinese an Industrial Cooperation Agreement which would be signed on the U.S. side by the Ministry of Foreign Economic Relations and Trade. The Agreement would be accompanied by implementing a Memorandum of Understanding with Chinese industrial ministries covering cooperation in specific industrial sectors. While it may not be possible to sign an agreement during the JCCT, we hope to have detailed discussions on the purposes and operation of the agreement in the Working Group on Industrial Cooperation.

TALKING POINTS

- We see a major role for the JCCT in advancing industrial cooperation between our two countries.
- Our proposal for a framework agreement on industrial cooperation, supplemented by a Memorandum of Understanding in key industrial sectors, reflects our desire to work with China in the industrial sector in a way similar to the successful approach we have followed in the science and technology field.
- Our goal is to enhance cooperation through exchanges of information on specific Chinese projects and priorities, exchanges of delegations, facilitation of financing, and feasibility studies.
- We believe the Agreement would provide an institutional mechanism to focus the various activities, many of which are ongoing, and provide an indication to the private sector of U.S. Government and Chinese Government support for industrial cooperation efforts.

BACKGROUND

The purpose of the proposed agreement is to attempt to overcome the advantages that Japanese and European suppliers enjoy in China because of their government's foreign aid and concessional financing programs. Our proposal is not meant to interfere with ongoing discussions or negotiations between U.S. companies and the Chinese on current projects. Instead, we are trying to encourage the Chinese to give U.S. companies early warning of and information on new projects that are still in the planning stage.

To a great extent, what we are proposing is simply a consolidation of existing programs, such as TDP, Eximbank,

UNCLASSIFIED

UNCLASSIFIED

- 2 -

OPIC, and USG trade promotion activities, under one umbrella and to provide an institutional mechanism to focus these efforts.

Our preliminary proposal was passed to the Chinese about a month ago. The Chinese agreed to study the drafts and provide detailed comments, but their preliminary response was that a new agreement would probably not be necessary since the subject could be dealt with under the existing Trade Agreement. However, they agreed to detailed discussions of the proposal in the JCCT Working Group on Industrial Cooperation.

A copy of the proposed draft agreement is appended.

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AGREEMENT ON INDUSTRIAL COOPERATION BETWEEN THE UNITED STATES OF AMERICA AND THE PEOPLE'S REPUBLIC OF CHINA

The Government of the United States of America and the Government of the People's Republic of China (hereinafter referred to as the Parties);

Noting with satisfaction the favorable development of economic and trade relations between the two countries;

Resolved to promote industrial cooperation between the two countries on the basis of equality and mutual benefit;

Taking into account the characteristics and economic potential of the two countries and their respective levels of economic development;

Convinced of the desirability of establishing a bilateral mechanism to promote, assist, and intensify industrial cooperation between the two countries;

Seeking to promote the continuous, long-term development of trade between the two countries as called for in Article I of the Agreement on Trade Relations between the United States of America and the People's Republic of China;

Have agreed as follows:

Article I

The Parties shall take all appropriate steps to facilitate industrial cooperation between firms, companies and economic organizations of the two Parties.

Article II

1. Industrial cooperation under this Agreement shall be based on contractual or other arrangements between firms, companies and economic organizations of the two Parties, in accordance with the applicable laws, regulations and treaty obligations of the two Parties.
2. Industrial cooperation may include the following:
 - joint participation in the construction of new industrial facilities and the expansion and modernization of existing facilities in both countries;

DRAFT

- 2 -

- joint participation, including the formation of joint companies, by firms, parties and economic organizations of the two Parties, in producing and marketing goods and services;
- purchase, sale and leasing of machinery and equipment;
- purchase and sale of industrial and agricultural materials and consumer goods;
- purchase, sale, license or commercial exchange of intellectual property rights, technical information or know-how, as well as provision of technical services, including training and exchange of specialists and technicians; and
- other cooperation which may be mutually agreed between firms, companies and economic organizations of the two Parties.

Article III

1. The activities which may be undertaken by the Parties under Article I of this Agreement and implementing Memoranda of Understanding established under Article IV of this Agreement may include:
 - holding consultations to help identify and study proposals for industrial cooperation projects, including financial requirements, with the purpose of facilitating cooperation between firms, companies and, economic organizations of the two Parties;
 - facilitation of contacts between firms, companies and economic organizations that might be potential participants in industrial cooperation projects;
 - identification of the need for and assistance in arranging feasibility studies for identified projects; feasibility studies carried out under this Agreement that are financed by the U. S. Government must meet appropriate U.S. Government criteria;
 - such other forms of cooperation as are mutually agreed.
2. All activities under this Agreement are subject to the applicable laws, regulations and treaty obligations of the two Parties.

DRAFT

-3-

Article IV

Facilitation of industrial cooperation in specific sectors may be carried out pursuant to Memoranda of Understanding. Such Memoranda of Understanding shall be negotiated between appropriate organizations, agencies and departments of the Parties and may cover subjects of cooperation, procedures to be followed, funding of activities and other appropriate matters.

Article V

1. The Parties hereby establish a permanent Working Group on Industrial Cooperation to carry out the objectives of this Agreement and accompanying Memoranda of Understanding. The Working Group will function at the direction and under the supervision of the U.S.-China Joint Commission on Commerce and Trade.
2. The Working Group will be chaired by _____ for the U.S. side and _____ for the Chinese side. Membership will include representatives of _____
3. The Working Group shall assist in planning and coordinating the activities of the Parties under this Agreement.

Article VI

Advisors may be designated by the Parties to provide support and to participate in activities under this Agreement and implementing Memoranda of Understanding. Advisors may include representatives of appropriate government ministries, agencies or departments, as well as firms, companies and economic organizations of both Parties.

Article VII

Details of the activities undertaken by the Parties under this Agreement and implementing Memoranda of Understanding, including, where necessary, payment of costs, shall be decided by mutual agreement, on a case-by-case basis.

Article VIII

This Agreement shall be interpreted so as not to interfere with industrial cooperation existing at the time this

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- 4 -

Agreement enters into force between firms, companies and economic organizations of the two Parties or with other industrial cooperation that might be conducted outside the Agreement.

Article IX

This Agreement shall enter into force upon signature and shall remain in force for a 5-year period. It may be amended or extended by mutual agreement of the Parties. Either Party may terminate the Agreement by giving 30 days written notice to the other Party.

Done at _____ this _____th day of _____, 1983,
in duplicate in the English and Chinese languages, both equally
authentic.

FOR THE DEPARTMENT OF COMMERCE
OF THE UNITED STATES OF AMERICA

FOR THE MINISTRY OF FOREIGN
ECONOMIC RELATIONS AND TRADE OF
THE PEOPLE'S REPUBLIC OF CHINA

China's Offshore Petroleum

Fifteen U.S. oil companies are about to conclude five years of discussions and negotiations with the Chinese for offshore oil development rights. (One company, Arco, signed a contract last fall and has already completed one well in the area south of Hainan Island.) Based on seismic surveys conducted by the companies several years ago, the expectations are that China's continental shelf may contain significant petroleum deposits. The areas with the greatest potential are believed to be in the Pearl River Basin just south of Guangzhou and along the east coast of Hainan Island.

For their part, the Chinese have given absolute priority to the development of offshore petroleum, indicating that political tensions between the U.S. and the PRC will not affect their cooperation with U.S. companies. The Chinese went so far as to consult with the IRS while drafting their tax law to ensure that the tax would be creditable against the companies' U.S. tax obligations.

Estimates as to the investment necessary to explore and develop the offshore areas now under negotiation are in the range of \$15-20 billion. This creates great market possibilities for U.S. oilfield equipment and service companies. The magnitude of this investment, of course, simply dwarfs previous U.S. investment levels in China. Indeed, a number of U.S. and other Western firms, such as Dresser and Brown and Root, have already signed joint venture or other cooperative agreements with Chinese organizations. Some of these have been followed by actual contracts for equipment and services in support of the existing French and Japanese drilling effort.

The first contract in the current round of bidding was awarded this week to BP probably because BP's X factor (the amount of profit oil the company is allowed to take back) has long been rumored to be the lowest of all the foreign oil company bidders. U.S. Embassy reports that Japan National Oil Company may be the second to sign, closely followed by Exxon/Shell, Occidental/Elf Aquitaine and Texaco/Chevron, the latter being the only exclusively American grouping in this first round. The Minister of Petroleum, Tang Ke informed DAS Lawson last fall that China wanted all 15 U.S. companies to participate. For now, it appears that 3 other companies, long to be considered likely signers in this first round, Amoco, Mobil and Phillips, may be deferred to a later round, as well as the remaining nine.

Commerce has been very supportive both of the oil companies and the equipment and service companies. We have sponsored two conferences for all the U.S. oil companies and we make regular informational mailings to an extensive list of over 300 persons representing oil companies, equipment and service companies, law firms and accounting firms.

May 12, 1983

U.S. COMPANIES BIDDING ON CHINESE OFFSHORE
OIL PETROLEUM

EXXON

GETTY OIL

HUNT SEDCO

MOBIL

NATOMAS

• OCCIDENTAL

• Pecten (SHELL U.S.)

PENNZOIL

PHILLIPS PETROLEUM

STANDARD OIL OF CALIFORNIA

STANDARD OIL (INDIANA)

SUN

TEXACO

TEXAS EASTERN

UNION

U.S. PARTICIPATION IN CHINESE HYDROPOWER PROJECTS

Tianshenqiao (TSQ)

This project is the heart of the Annex II of the U.S.-China Hydropower Protocol, which is administered by Commerce. Under Annex II, TDP has funded a feasibility study for the project, which is now being carried out by Harza Engineering Company. The Chinese originally requested World Bank funding for TSQ, but they have withdrawn their World Bank application and asked the Japanese Government to provide concessional financing instead. We are now making representations to the Chinese and Japanese Governments in an effort to assure that financing for the project will be untied. The hard currency potential for this project is in the range of \$200-300 million. The Chinese are particularly interested in U.S. made boring machines, which cost upwards of \$20 million a piece.

Lubuge

A number of U.S. firms are pursuing this project, which is being financed by the World Bank to the tune of \$150 million. The World Bank loan covers engineering services, construction equipment and turbines.

Ertan

A U.S. team recently visited China under the Hydropower Protocol to discuss this project, which involves very large turbines and generators (500 MW) that the Chinese do not produce domestically. The Chinese are hoping to include this project in the next 5-year plan. The potential for U.S. exports connected with this project is the range of several hundred million dollars.

Three Gorges

This Yangtze River project, which has been in the planning stage for over 30 years, would be the largest hydro project in the world. It would dwarf the largest projects such as Grand Coulee, and would offer tremendous potential for U.S. suppliers of power plant equipment, construction equipment and possibly engineering services. The overall cost of the project would be in excess of \$10 billion.

Longtan

This dam is connected with an aluminum project which has been delayed. Alcoa and Bechtel have been discussing participation in the project, but other U.S. companies also are interested. The combined value of the power and aluminum projects is in the multi-billion dollar category.

Shuikou

International Engineering Co. has already carried out a feasibility study for this project. Because of technical problems, the project has fallen in terms of priority.

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CHINA CITY BRIEF

Beijing 北京 **(Peking)**



Beijing City Brief

Beijing City Brief

Introduction

Most visitors agree that Beijing is a unique and magnetic city, a curious blend of old and new. In the city streets phalanxes of bicycles, black and standardized, jostle with 1950-style automobiles and shiny Toyota taxis, fleets of buses, and milling pedestrians. On the outskirts animal-driven carts creep along dusty residential streets in sight of new apartment blocks and factories built amidst farmland still tilled by hand.

Although new structures rise here and there above the rooftops of the old city, mingling with massive institutional buildings of Soviet architectural inspiration, the city core is still dominated by squat gray buildings, served by innumerable *hutongs* (alleyways), huddled inside drab walls and hiding the mass of Beijing's citizens from the view of the passerby. Gray is the predominant color of Beijing—gray flagstones, gray walls, gray roof tiles. This somberness is relieved during the warmer months by the vivid greens of the thousands of trees that line major streets. While the great monuments and trappings of the imperial past provide irresistible short-term attractions for Beijing's citizens and tourists alike, foreigners stationed in Beijing are faced with its harsher realities—crowded and limited housing, few amusements, almost no night life, and blowing dust that periodically envelops the city throughout much of the year, seeping through cracks and coating everything with a fine yellow powder.

Overview of the City

Marco Polo wrote that Beijing was "arranged like a chessboard," an observation still valid despite the centuries of political turmoil and the physical expansion of the city. Its rectangular symmetry can best be visualized as a series of rectangles or boxes within boxes arranged on a south-north axis from the Qianmen¹ (front gate) on a direct line through Tiananmen (Gate of Heavenly Peace), the magnificent vermilion-hued southern entrance to the former Imperial City, thence north to the Palace Museum or Forbidden City. The Forbidden City, the innermost rectangle, was the residence of the emperor and his immediate entourage and was surrounded by the Imperial City, the private parks and grounds of the emperor's court. Completing the so-called inner city (the old Tartar city, from which Chinese were originally excluded) was a still larger walled rectangle that housed the commercial and residential districts.

¹ On the accompanying map, an alternative rendition is used separating *men* (gate) from its descriptor, as Qian Men (front gate).

seek foreign assistance and, since 1977, to the massive growth of tourism. Civil airlines use the remodeled and greatly expanded Beijing International Airport, previously known as the Capital Airport, located northeast of the city.

Since 1949 Beijing has changed from a city of little industry to one of the major industrial centers in the country. It is now a major producer of textiles, petrochemicals, machinery, and automotive and agricultural equipment and is of growing importance as a producer of communications, electrical, and electronics equipment. It has a large and growing skilled-labor force, and most enterprises take advantage of the nation's leading technical research facilities and personnel, also located in the city. Beijing has 35 colleges and universities, among which Beijing and Qinghua Universities are the most prestigious. There is also a large artisan community famous for its handcraft work. Carpets, embroidery, ivory carvings, and paintings are among the finest found in China.

Beijing's attractions are rewarding at any time of the year, but the periods from April through mid-June and from September through November normally will be most comfortable for sightseeing. Beijing's northerly location and proximity to the Mongolian steppe prolong winter, and temperatures may occasionally drop below -18°C (0°F). The cold is made more bearable by a preponderance of bright brisk days, very dry air, and the infrequency of snow or, less likely, rain. Even snow does not interrupt the city's business, since the first few flakes bring out armies of residents who sweep the snow from streets and sidewalks. Spring (April and May) and autumn (September and October) are usually pleasant with moderate temperatures. The normal summer is characterized by spells of oppressive heat and humidity interspersed with periods of heavy rainfall; temperatures may occasionally exceed 38°C (100°F).

Rainfall is usually insignificant until June, but both the amount and seasonal distribution are highly variable. Rains normally build to a maximum in July, when almost 40 percent (250 millimeters or 10 inches) of the yearly precipitation may occur, much of it in violent thunderstorms. Perhaps the most disagreeable feature of Beijing's climate is neither rain, heat, nor cold but the dust storms that periodically sweep over the city, most commonly in late winter and spring.

History

Beijing's origins date to about 2000 B.C., and much of the city's early importance was derived from its site. It served not only as a link between the mountains and steppe immediately to the north and the fertile plains to the south, but also as a northern rampart against invasion. Cities known by several different names rose and fell on or near the present site. Finally,

An initial point of interest in Beijing is Tiananmen (Gate of Heavenly Peace), located in the center of the city. It is a symbol of China—the podium from which Mao Zedong proclaimed the People's Republic in 1949. The massive square of 40 hectares—about the size of 75 football fields—in front of the Gate can accommodate a half-million people and is the focal point for political rallies, festivals, and parades. The Great Hall of the People, at the western edge of the square, is a meeting place for major political events such as the convening of a Party Congress. On the eastern side are the Museum of Chinese History and Museum of the Chinese Revolution, both housed in a building with an architectural style similar to that of the Great Hall of the People. On display are an array of Chinese artifacts as well as modern exhibits. A recent addition are the terra cotta soldiers and horses discovered near the tomb of the Qin emperor, Shi Huangdi, in the vicinity of Xian, Shaanxi Province. Near the center of Tiananmen Square, to the south of the obelisk known as the Monument to the People's Heroes, is the Mao Zedong Memorial Hall, in which Mao's body is on display.

Outside the walls of the Palace Museum to the west and north are the former playgrounds of the Imperial court that serve as parks for the people. Beihai (North Lake) Park is probably the most popular recreation spot in the city. Its tree-lined promenades and picnic spots provide relaxation for large numbers of Chinese. In summer rowboats dot the lake, which becomes a skating rink in winter. The origins of Beihai Park date 700 years to Kublai Khan, and some of the structures in the park are older than any in the Forbidden City. Government leaders have their homes and offices in the more secluded Zhongnanhai (Central and South Lakes) area, just to the west of the Palace Museum.

Tiantan (The Temple or Altar of Heaven), in the southern part of the city, was formerly the most sacred spot in Imperial Beijing. A grandiose complex of immense proportions, it contains majestic temples, halls, gates, and gardens. The most impressive feature is the altar. In former times only the Emperor ascended the altar to offer yearly sacrifices to the Supreme Being. The current regime has kept Tiantan in good condition, and it and the surrounding grounds are now used as a public park.

Foreign tourists usually join the many Chinese who flock to Yihe Yuan (the Summer Palace), at the northwest edge of the city. On the slopes of a low hill and along the edge of a beautiful lake is a magnificent layout of buildings and walkways. Most of the palace was built during the latter years of the Qing Dynasty, around the turn of this century.

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